

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Shiawassee County	County Shiawassee
Fiscal Year End 12/31/06	Opinion Date 5/14/07	Date Audit Report Submitted to State 5/30/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

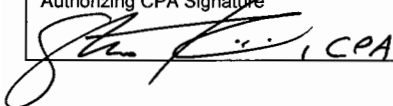
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Steven R. Kirinovic, CPA	License Number 1101022020	

Shiawassee County, Michigan

FINANCIAL STATEMENTS

December 31, 2006

Shiawassee County, Michigan

December 31, 2006

BOARD OF COMMISSIONERS

James P. Capitan	Commissioner
Kim H. Van Pelt	Commissioner
Jerry Walden	Commissioner
Jon Michael Fuja	Commissioner
Gerald W. Cole	Commissioner
Wayne L. Roszman	Commissioner
Jaime F. Pavlica	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Margaret A. McAvoy	County Administrator
Thomas W. Dwyer	Treasurer
Lauri L. Braid	Clerk
Lori Kimble	Register of Deeds
Gary Holzhausen	Drain Commissioner
Randy O. Colbry	Prosecuting Attorney
R. Jon Wilson	Sheriff
Norman Caldwell	Surveyor

Shiawassee County, Michigan

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shiawassee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Shiawassee County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2007 on our consideration of Shiawassee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shiawassee County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 14, 2007

Shiawassee County

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Shiawassee County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2006. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative offices.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$35.3 million (*net assets*). Of this amount, approximately \$20.7 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The primary government's total net assets increased by approximately \$5.0 million, or 17 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$10.1 million, an increase of approximately \$2.4 million or 31 percent more than the prior year. Of this total, approximately \$9.2 million or 91 percent is *available for spending (unreserved and undesignated fund balance)*, however, the major portion of this amount (approximately \$7.0 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$2.2 million, an amount equal to 11.3 percent of total General Fund expenditures and transfers.
- The County's total long-term debt, including that of the component units, decreased by a net of \$236,256 or 4 percent during the current fiscal year. New debt issues included \$425,817 in Drain notes.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Shiawassee County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. The business-type activities primarily represent the administration of the delinquent property tax system and the Medical Care Facility.

Shiawassee County

Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four (4) legally separate entities: the Shiawassee County Road Commission, the Shiawassee County Airport, the Drainage Districts, and the Shiawassee Council on Aging. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Health Department, and Revenue Sharing Reserve fund, each of which is considered to be a major fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and certain special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with the County General, Health Department, and Revenue Sharing Reserve funds budgets.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Tax Payment Fund and the Medical Care Facility which are considered to be major funds. Data from the nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental and enterprise funds.

Shiawassee County

Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Assets

Shiawassee County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 11,091,694	\$ 14,077,145	\$ 21,807,330	\$ 18,877,178	\$ 32,899,024	\$ 32,954,323
Capital assets	<u>3,137,725</u>	<u>3,277,748</u>	<u>2,340,551</u>	<u>2,612,661</u>	<u>5,478,276</u>	<u>5,890,409</u>
Total assets	14,229,419	17,354,893	24,147,881	21,489,839	38,377,300	38,844,732
Liabilities						
Current	1,046,345	6,516,117	1,129,081	1,093,440	2,175,426	7,609,557
Noncurrent	<u>855,010</u>	<u>895,846</u>	<u>-</u>	<u>-</u>	<u>855,010</u>	<u>895,846</u>
Total liabilities	1,901,355	7,411,963	1,129,081	1,093,440	3,030,436	8,505,403
Net Assets						
Invested in capital assets - net of related debt	2,690,445	2,758,861	2,340,551	2,612,661	5,030,996	5,371,522
Restricted	7,036,706	5,503,044	2,548,921	2,306,244	9,585,627	7,809,288
Unrestricted	<u>2,600,913</u>	<u>1,681,025</u>	<u>18,129,328</u>	<u>15,477,494</u>	<u>20,730,241</u>	<u>17,158,519</u>
Total net assets	<u>\$ 12,328,064</u>	<u>\$ 9,942,930</u>	<u>\$ 23,018,800</u>	<u>\$ 20,396,399</u>	<u>\$ 35,346,864</u>	<u>\$ 30,339,329</u>

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of Shiawassee County, assets exceeded liabilities by approximately \$35.3 million at the close of the year. This amount compares favorably with the prior year where net assets totaled \$30.3 million.

The primary government's net assets include approximately \$5.6 million capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$9.6 million. The remaining balance of unrestricted net assets (\$20.7 million or 58.6 percent) may be used to meet the government's ongoing obligations.

Statement of Activities

Shiawassee County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenue:						
Charges for services	\$ 5,477,254	\$ 5,666,003	\$ 12,324,793	\$ 10,467,502	\$ 17,802,047	\$ 16,133,505
Operating grants and contributions	5,888,003	5,451,110	-	-	5,888,003	5,451,110
General revenues:						
Property taxes	11,486,371	10,373,308	3,321,637	3,123,405	14,808,008	13,496,713
State Revenue Sharing	-	107,830	-	-	-	107,830
Investment earnings	543,975	336,027	566,887	288,997	1,110,862	625,024
Miscellaneous	95,570	37,969	-	-	95,570	37,969
Gain on disposal of assets	74,363	-	-	-	74,363	-0-
Transfers	<u>911,700</u>	<u>612,633</u>	<u>(911,700)</u>	<u>(612,633)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	24,477,236	22,584,880	15,301,657	13,267,271	39,778,853	35,852,151

Shiawassee County

Management's Discussion and Analysis

Statement of Activities - continued

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Expenses						
General government	\$ 8,452,838	\$ 8,013,850	\$ -	\$ -	\$ 8,452,838	\$ 8,013,850
Public safety	6,312,169	5,711,380	-	-	6,312,169	5,711,380
Public works	128,242	24,924	-	-	128,242	24,924
Health and welfare	5,321,618	5,375,717	-	-	5,321,618	5,375,717
Community and Economic Development	697,642	703,283	-	-	697,642	703,283
Recreation and Cultural	26,623	68,282	-	-	26,623	68,282
Other	889,009	640,707	12,679,216	13,128,749	13,568,225	13,769,456
Total expenses	<u>21,828,141</u>	<u>20,538,143</u>	<u>12,679,216</u>	<u>13,128,749</u>	<u>34,507,357</u>	<u>33,666,892</u>
Increase in net assets	2,649,095	2,046,737	2,622,401	138,522	5,271,496	2,185,259
Net assets, beginning of year	<u>9,678,969</u>	<u>7,896,193</u>	<u>20,396,399</u>	<u>20,257,877</u>	<u>30,075,368</u>	<u>28,154,070</u>
Net assets, end of year	<u>\$ 12,328,064</u>	<u>\$ 9,942,930</u>	<u>\$ 23,018,800</u>	<u>\$ 20,396,399</u>	<u>\$ 35,346,864</u>	<u>\$ 30,339,329</u>

The preceding table shows that the net assets of governmental activities increased by approximately \$2.6 million or 27.3 percent during 2006 as compared to approximately \$2.0 million in the prior year.

Business-type Activities

Net assets of the County's business-type activities increased by approximately \$2,622,000. Net assets of the Delinquent Tax Revolving fund decreased by approximately \$186,000 while net assets of the Medical Care Facility and the nonmajor enterprise funds increased by approximately \$2,771,000.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$10.1 million. This represents an increase of approximately \$2.4 million in comparison with the prior year, a majority of which is explained by the third year phase-in of the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing.

Approximately \$9.2 million or 91.1 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$7.0 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.2 million), or is *designated* to support capital and other projects (approximately \$.7 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$2.4 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$2.2 million, an amount equal to 11.3 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is low compared with recognized benchmarks that governments should strive to maintain.

Shiawassee County

Management's Discussion and Analysis

The fund balance of the County's General Fund increased by approximately \$1.0 million during the current fiscal year, and compares favorably with the approximately \$375,000 increase in the General Fund balance reported during the prior year. This increase is largely due to the better tracking and reporting of current year receivables and revenues and controlling County expenditures.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$4.5 million. As indicated above this established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the third year of a three year phase-in that has seen deposits totaling approximately \$7.9 million to this fund. The balance in this fund is projected to be exhausted in year 2009 or 2010 at which time the County is anticipated to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund expenditure budget of \$16.3 million was approximately \$20.0 million after revisions; however, actual expenditures totaled \$19.4 million. Expenditure savings came from several departments and resulted primarily from reduced contractual services and some personnel positions not filled for the entire year.

Actual revenues and other financing sources came in at approximately \$20.3 million taking into account the flow thru of \$2.6 in Revenue Reserve tax receipts.

Capital Asset and Debt Administration

Capital Assets - At the end of 2006, the County had invested \$5,478,276 in primary government capital assets and \$9,562,507 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$6,753,829 for the primary government. Depreciation charges for the fiscal year totaled \$662,536 for the primary government and \$249,427 for the component units (excluding the Road Commission, see separately issued financial statements).

	Governmental Activities	Business- type Activities	Component Units	Total
Land and improvements, net	\$ 606,282	\$ 47,798	\$ 1,494,115	\$ 2,148,195
Buildings, net	1,736,893	1,531,590	94,654	3,363,137
Equipment, net	541,708	761,163	10,212	1,313,083
Vehicles, net	252,842	-	-	252,842
Drains, net	-	-	7,963,526	7,963,526
Capital assets, net	<u>\$ 3,137,725</u>	<u>\$ 2,340,551</u>	<u>\$ 9,562,507</u>	<u>\$15,040,783</u>

Long-term Debt - As of December 31, 2006, the County had \$951,799 in bonds and notes outstanding for the primary government. This level of net obligation is \$32,160 less than the obligation recorded as of December 31, 2005. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Drainage District and Airport component unit debt. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission.

Shiawassee County

Management's Discussion and Analysis

Outstanding Debt as of December 31, 2006:

	<u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2006</u>
Primary Government				
Governmental Activities				
Long-term obligations payable	\$ 983,959	\$ 39,447	\$ 71,607	\$ 951,799
Component Unit				
County Airport	12,467	-	5,642	6,825
Drainage Districts	<u>4,679,708</u>	<u>425,817</u>	<u>464,164</u>	<u>4,641,361</u>
Total Component Units	<u>4,692,175</u>	<u>425,817</u>	<u>469,806</u>	<u>4,648,186</u>
Total Reporting Entity	<u>\$ 5,676,134</u>	<u>\$ 465,264</u>	<u>\$ 541,413</u>	<u>\$ 5,599,985</u>
Debt Limit (10% of SEV)				<u>\$171,097,788</u>
Available Statutory Debt Limit				<u>\$165,497,803</u>

A more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2006 was \$1.710 billion; therefore the County's debt limitation was over \$171 million. The county remains well below its legal debt limit by over \$165 million.

SHIAWASSEE COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- The Revenue Sharing Reserve Fund was established in 2004 by the State in order to replace State Revenue Sharing payments to counties.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- Health, dental, and optical insurance premiums are an uncertain cost and may rise much faster than the rate of inflation.
- Capital projects relating to security issues are being budgeted due to the importance of this matter.

These factors were considered in adopting the Budget for 2007. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Shiawassee County Administrator's Office at (989) 743-2458 or via email at mmcavoy@shiawassee.net.

BASIC FINANCIAL STATEMENTS

Shiawassee County, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,269,636	\$ 15,519,721	\$ 21,789,357	\$ 4,246,294
Investments	200,000	-	200,000	2,641,229
Receivables	2,950,452	6,819,795	9,770,247	3,389,077
Internal balances	532,186	(532,186)	-0-	-
Current portion of lease receivable	-	-	-0-	95,000
Due from other governmental units	873,736	-	873,736	1,459,081
Inventories	95,684	-	95,684	194,599
 Total current assets	 10,921,694	 21,807,330	 32,729,024	 12,025,280
Noncurrent assets				
Investments	-	-	-0-	152,948
Lease receivable	-	-	-0-	1,160,784
Advance to other governmental units	170,000	-	170,000	-
Capital assets not being depreciated	540,000	-	540,000	4,604,247
Capital assets, net of accumulated depreciation	2,597,725	2,340,551	4,938,276	52,130,149
 Total noncurrent assets	 3,307,725	 2,340,551	 5,648,276	 58,048,128
 TOTAL ASSETS	 14,229,419	 24,147,881	 38,377,300	 70,073,408
LIABILITIES				
Current liabilities				
Accounts payable	375,447	135,109	510,556	54,034
Other accrued liabilities	454,397	993,972	1,448,369	47,496
Due to other governmental units	-	-	-0-	7,500
Accrued interest payable	3,028	-	3,028	26,894
Deferred revenue	95,684	-	95,684	285,220
Current portion of compensated absences	50,452	-	50,452	106,466
Current portion of long-term debt	67,337	-	67,337	640,989
 Total current liabilities	 1,046,345	 1,129,081	 2,175,426	 1,168,599
Noncurrent liabilities				
Advances from other governmental units	21,000	-	21,000	577,952
Noncurrent portion of compensated absences	454,067	-	454,067	159,700
Noncurrent portion of long-term debt	379,943	-	379,943	4,332,197
 Total noncurrent liabilities	 855,010	 -0-	 855,010	 5,069,849
 TOTAL LIABILITIES	 1,901,355	 1,129,081	 3,030,436	 6,238,448
NET ASSETS				
Invested in capital assets, net of related debt	2,690,445	2,340,551	5,030,996	53,016,994
Restricted for				
Public safety	1,227,592	-	1,227,592	-
Employee benefits	-	2,548,921	2,548,921	-
Capital improvement	453,278	-	453,278	4,399,673
County roads	-	-	-0-	4,975,632
Debt service	-	-	-0-	881,934
Other purposes	5,355,836	-	5,355,836	-
Unrestricted	2,600,913	18,129,328	20,730,241	560,727
 TOTAL NET ASSETS	 \$ 12,328,064	 \$ 23,018,800	 \$ 35,346,864	 \$ 63,834,960

See accompanying notes to financial statements.

Shiawassee County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,452,838	\$ 2,613,644	\$ 1,674,036	\$ -	\$ (4,165,158)	\$ -	\$ (4,165,158)	\$ -
Public safety	6,312,169	1,752,197	954,453	-	(3,605,519)	-	(3,605,519)	-
Public works	128,242	11,923	-	-	(116,319)	-	(116,319)	-
Health and welfare	5,321,618	1,095,275	3,258,314	-	(968,029)	-	(968,029)	-
Community and economic development	697,642	-	-	-	(697,642)	-	(697,642)	-
Recreation and cultural	26,623	4,215	1,200	-	(21,208)	-	(21,208)	-
Other	867,212	-	-	-	(867,212)	-	(867,212)	-
Interest on long-term debt	21,797	-	-	-	(21,797)	-	(21,797)	-
Total governmental activities	21,828,141	5,477,254	5,888,003	-0-	(10,462,884)	-0-	(10,462,884)	-0-
Business-type activities								
Delinquent tax	-	573,839	-	-	-	573,839	573,839	-
Medical Care Facility	12,573,361	11,606,842	-	-	-	(966,519)	(966,519)	-
Other	105,855	144,112	-	-	-	38,257	38,257	-
Total business-type activities	12,679,216	12,324,793	-0-	-0-	-0-	(354,423)	(354,423)	-0-
Total primary government	<u>\$ 34,507,357</u>	<u>\$ 17,802,047</u>	<u>\$ 5,888,003</u>	<u>\$ -0-</u>	(10,462,884)	(354,423)	(10,817,307)	-0-
Component units								
Road Commission	\$ 8,736,431	\$ 905,720	\$ 7,573,482	\$ 435,354	-	-	-0-	178,125
Drain Commission	835,648	4,025	-	694,022	-	-	-0-	(137,601)
County Airport	110,475	57,167	22,261	-	-	-	-0-	(31,047)
Council on Aging	800,750	92,977	456,394	-	-	-	-0-	(251,379)
Total component units	<u>\$ 10,483,304</u>	<u>\$ 1,059,889</u>	<u>\$ 8,052,137</u>	<u>\$ 1,129,376</u>	-0-	-0-	-0-	(241,902)
		General revenues						
		Property taxes			11,486,371	3,321,637	14,808,008	258,901
		Investment earnings			543,975	566,887	1,110,862	218,892
		Miscellaneous			95,570	-	95,570	39,398
		Gain (loss) on disposal of capital assets			74,363	-	74,363	(117,512)
		Transfers			911,700	(911,700)	-0-	-
		Total general revenues, transfers, and special item			13,111,979	2,976,824	16,088,803	399,679
		Change in net assets			2,649,095	2,622,401	5,271,496	157,777
		Restated net assets, beginning of the year			9,974,207	20,396,399	30,370,606	63,677,183
		Prior period adjustments			(295,238)	-	(295,238)	-
		Net assets, end of the year			\$ 12,328,064	\$ 23,018,800	\$ 35,346,864	\$ 63,834,960

See accompanying notes to financial statements.

Shiawassee County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Revenue Sharing Reserve	Health Department
ASSETS			
Cash and cash equivalents	\$ 1,289,242	\$ 1,904,433	\$ 467,482
Investments	-	200,000	-
Receivables			
Taxes	2,667,944	-	-
Accounts	29,864	-	181,726
Inventories	-	-	95,684
Due from other funds	776,876	2,593,131	-
Due from other governmental units			
Federal/State	641,934	-	93,253
Local	7,500	-	-
Advances to other governmental units	170,000	-	-
TOTAL ASSETS	\$ 5,583,360	\$ 4,697,564	\$ 838,145
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 222,209	\$ -	\$ 123,603
Accrued liabilities	349,544	-	69,509
Due to other funds	2,647,949	166,049	17,119
Deferred revenue	-	-	109,982
Advances from other governmental units	-	-	-
TOTAL LIABILITIES	3,219,702	166,049	320,213
FUND BALANCES			
Reserved for			
Advances to other governmental units	170,000	-	-
Park outlay	3,705	-	-
Unreserved			
Designated for capital improvement	-	-	-
Undesignated, reported in			
General fund	2,189,953	-	-
Special revenue funds	-	4,531,515	517,932
TOTAL FUND BALANCES	2,363,658	4,531,515	517,932
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,583,360	\$ 4,697,564	\$ 838,145

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,608,479	\$ 6,269,636
-	200,000
-	2,667,944
70,918	282,508
-	95,684
54,330	3,424,337
131,049	866,236
-	7,500
-	170,000
<u>\$ 2,864,776</u>	<u>\$ 13,983,845</u>
\$ 29,635	\$ 375,447
35,344	454,397
61,034	2,892,151
-	109,982
21,000	21,000
<u>147,013</u>	<u>3,852,977</u>
-	170,000
-	3,705
729,778	729,778
-	2,189,953
<u>1,987,985</u>	<u>7,037,432</u>
<u>2,717,763</u>	<u>10,130,868</u>
<u>\$ 2,864,776</u>	<u>\$ 13,983,845</u>

Shiawassee County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds **\$ 10,130,868**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,232,810	
Accumulated depreciation is	<u>(3,095,085)</u>	
Capital assets, net		3,137,725

Long-term assets are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		14,298
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	447,280	
Accrued interest payable	3,028	
Compensated absences	<u>504,519</u>	
		<u>(954,827)</u>

Net assets of governmental activities **\$ 12,328,064**

See accompanying notes to financial statements.

Shiawassee County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Revenue Sharing Reserve	Health Department
REVENUES			
Taxes	\$ 11,486,684	\$ -	\$ -
Licenses and permits	159,062	-	236,103
Intergovernmental	2,431,434	-	2,340,538
Charges for services	2,483,900	-	238,900
Fines and forfeits	277,770	-	-
Interest and rents	446,584	32,940	-
Other	478,443	-	-
TOTAL REVENUES	17,763,877	32,940	2,815,541
EXPENDITURES			
Current			
General government	7,908,048	-	-
Public safety	5,392,826	-	-
Public works	126,880	-	-
Health and welfare	590,369	-	3,082,920
Community and economic development	228,841	-	-
Recreation and cultural	18,963	-	-
Other	867,212	-	-
Capital outlay	427,357	-	-
Debt service	67,332	-	26,400
TOTAL EXPENDITURES	15,627,828	-0-	3,109,320
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,136,049	32,940	(293,779)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,521,327	2,589,669	380,386
Transfers out	(3,796,666)	(1,300,519)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,275,339)	1,289,150	380,386
NET CHANGE IN FUND BALANCES	860,710	1,322,090	86,607
Restated fund balances, beginning of year	1,336,899	3,375,474	431,325
Prior period adjustments	166,049	(166,049)	-
Fund balances, end of year	\$ 2,363,658	\$ 4,531,515	\$ 517,932

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 11,486,684
-	395,165
768,504	5,540,476
1,588,491	4,311,291
16,218	293,988
78,964	558,488
563,796	1,042,239
3,015,973	23,628,331
107,548	8,015,596
1,027,908	6,420,734
-	126,880
1,644,795	5,318,084
468,801	697,642
3,800	22,763
-	867,212
101,481	528,838
-	93,732
3,354,333	22,091,481
(338,360)	1,536,850
973,001	6,464,383
(455,498)	(5,552,683)
517,503	911,700
179,143	2,448,550
2,538,620	7,682,318
-	-0-
\$ 2,717,763	\$ 10,130,868

Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 2,448,550**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 526,829
Depreciation expense	(295,977)
Disposal of capital assets	<u>(75,637)</u>

Excess of capital outlay over depreciation expense and other charges	155,215
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue	12,842
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirements	71,607
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	328	
(Increase) in accrued compensated absences	<u>(39,447)</u>	
		<u>(39,119)</u>

Change in net assets of governmental activities	<u>\$ 2,649,095</u>
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See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,190,849	\$ 10,144,926	\$ 183,946	\$ 15,519,721
Accounts receivable	-	868,927	-	868,927
Taxes receivable	-	3,104,045	-	3,104,045
Due from other funds	220,585	-	-	220,585
Delinquent taxes receivable	2,846,823	-	-	2,846,823
Total current assets	8,258,257	14,117,898	183,946	22,560,101
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	2,338,368	2,183	2,340,551
TOTAL ASSETS	8,258,257	16,456,266	186,129	24,900,652
LIABILITIES				
Current liabilities				
Accounts payable	20,255	102,935	11,919	135,109
Accrued liabilities	-	993,972	-	993,972
Due to other funds	752,771	-	-	752,771
TOTAL LIABILITIES	773,026	1,096,907	11,919	1,881,852
NET ASSETS				
Invested in capital assets	-	2,338,368	2,183	2,340,551
Restricted for employee benefits	-	2,548,921	-	2,548,921
Unrestricted	7,485,231	10,472,070	172,027	18,129,328
TOTAL NET ASSETS	\$ 7,485,231	\$ 15,359,359	\$ 174,210	\$ 23,018,800

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 573,839	\$ -	\$ -	\$ 573,839
Charges for services	-	11,606,842	144,112	11,750,954
TOTAL OPERATING REVENUES	573,839	11,606,842	144,112	12,324,793
OPERATING EXPENSES				
Personal services and fringes	-	9,379,869	-	9,379,869
Operating supplies	-	862,527	96,979	959,506
Return of fees	-	-	8,330	8,330
Contracted services	-	678,689	-	678,689
Depreciation	-	377,201	546	377,747
Miscellaneous	-	392,768	-	392,768
TOTAL OPERATING EXPENSES	-0-	11,691,054	105,855	11,796,909
OPERATING INCOME (LOSS)	573,839	(84,212)	38,257	527,884
NONOPERATING REVENUES (EXPENSES)				
Quality assurance assessment	-	(882,307)	-	(882,307)
Interest revenue	184,506	382,381	-	566,887
Property taxes	-	3,321,637	-	3,321,637
TOTAL NONOPERATING REVENUES (EXPENSES)	184,506	2,821,711	-0-	3,006,217
INCOME BEFORE TRANSFERS	758,345	2,737,499	38,257	3,534,101
TRANSFERS IN (OUT)				
Transfers in	-	33,073	-	33,073
Transfers out	(944,773)	-	-	(944,773)
TOTAL TRANSFERS IN (OUT)	(944,773)	33,073	-0-	(911,700)
CHANGE IN NET ASSETS	(186,428)	2,770,572	38,257	2,622,401
Net assets, beginning of year	7,671,659	12,588,787	135,953	20,396,399
Net assets, end of year	<u>\$ 7,485,231</u>	<u>\$ 15,359,359</u>	<u>\$ 174,210</u>	<u>\$ 23,018,800</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ (209,670)	\$ 11,693,096	\$ 144,112	\$ 11,627,538
Cash paid to suppliers	409,533	(2,021,834)	(100,733)	(1,713,034)
Cash paid for employees	-	(9,445,558)	-	(9,445,558)
NET CASH PROVIDED BY OPERATING ACTIVITIES	199,863	225,704	43,379	468,946
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(103,251)	-	(103,251)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	3,321,637	-	3,321,637
Bed tax expense	-	(882,307)	-	(882,307)
Transfers in	-	33,073	-	33,073
Transfers out	(944,773)	-	-	(944,773)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(944,773)	2,472,403	-0-	1,527,630
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	184,506	382,381	-	566,887
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(560,404)	2,977,237	43,379	2,460,212
Cash and cash equivalents, beginning of year	5,751,253	7,167,689	140,567	13,059,509
Cash and cash equivalents, end of year	<u>\$ 5,190,849</u>	<u>\$ 10,144,926</u>	<u>\$ 183,946</u>	<u>\$ 15,519,721</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 573,839	\$ (84,212)	\$ 38,257	\$ 527,884
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	377,201	546	377,747
(Increase) decrease in receivables	(783,509)	86,254	-	(697,255)
(Increase) in due from other funds	(220,585)	-	-	(220,585)
Increase in due to other funds	630,165	-	-	630,165
Increase (decrease) in accounts payable	(47)	(87,850)	4,576	(83,321)
(Decrease) in accrued liabilities	-	(65,689)	-	(65,689)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 199,863	\$ 225,704	\$ 43,379	\$ 468,946

See accompanying notes to financial statements.

Shiawassee County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,382,333</u>
LIABILITIES	
Undistributed collections payable	\$ 208,883
Due to other governmental units	
Federal/State	172,149
Local	454,276
Due to individuals and agencies	<u>547,025</u>
TOTAL LIABILITIES	<u>\$ 1,382,333</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Road Commission	Drainage Districts	County Airport
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,496,665	\$ 2,383,650	\$ 66,255
Investments	2,626,249	-	-
Receivables			
Accounts	-	-	6,000
Interest	-	4,158	-
Taxes	-	-	-
Special assessments	-	3,112,401	-
Current portion of lease receivable	-	95,000	-
Due from other governmental units	1,418,716	-	-
Inventories	194,599	-	-
Total current assets	5,736,229	5,595,209	72,255
Noncurrent assets			
Investments	-	-	-
Lease receivable	-	1,160,784	-
Capital assets not being depreciated	4,604,247	-	-
Capital assets, net of accumulated depreciation	42,567,642	7,963,526	1,560,158
Total noncurrent assets	47,171,889	9,124,310	1,560,158
TOTAL ASSETS	52,908,118	14,719,519	1,632,413
LIABILITIES			
Current liabilities			
Accounts payable	41,069	12,805	160
Other accrued liabilities	41,813	5,000	683
Due to other governmental units	-	7,500	-
Accrued interest payable	3,597	23,297	-
Deferred revenue	-	-	-
Current portion of compensated absences	106,466	-	-
Current portion of long-term debt	160,000	474,164	6,825
Total current liabilities	352,945	522,766	7,668
Noncurrent liabilities			
Advances from other governmental units	407,952	170,000	-
Noncurrent portion of compensated absences	159,700	-	-
Noncurrent portion of long-term debt	165,000	4,167,197	-
Total noncurrent liabilities	732,652	4,337,197	-0-
TOTAL LIABILITIES	1,085,597	4,859,963	7,668
NET ASSETS			
Invested in capital assets, net of related debt	46,846,889	4,577,949	1,553,333
Restricted for County Roads	4,975,632	-	-
Restricted for debt service	-	881,934	-
Restricted for capital improvement	-	4,399,673	-
Unrestricted	-	-	71,412
TOTAL NET ASSETS	\$ 51,822,521	\$ 9,859,556	\$ 1,624,745

See accompanying notes to financial statements.

Council on Aging	Total Component Units
\$ 299,724	\$ 4,246,294
14,980	2,641,229
-	6,000
-	4,158
266,518	266,518
-	3,112,401
-	95,000
40,365	1,459,081
-	194,599
621,587	12,025,280
152,948	152,948
-	1,160,784
-	4,604,247
38,823	52,130,149
191,771	58,048,128
813,358	70,073,408
-	54,034
-	47,496
-	7,500
-	26,894
285,220	285,220
-	106,466
-	640,989
285,220	1,168,599
-	577,952
-	159,700
-	4,332,197
-0-	5,069,849
285,220	6,238,448
38,823	53,016,994
-	4,975,632
-	881,934
-	4,399,673
489,315	560,727
\$ 528,138	\$ 63,834,960

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Road Commission	\$ 8,736,431	\$ 905,720	\$ 7,573,482	\$ 435,354	\$ 178,125
Drainage Districts	835,648	4,025	-	694,022	(137,601)
County Airport	110,475	57,167	22,261	-	(31,047)
Council on Aging	800,750	92,977	456,394	-	(251,379)
TOTALS	<u>\$ 10,483,304</u>	<u>\$ 1,059,889</u>	<u>\$ 8,052,137</u>	<u>\$ 1,129,376</u>	(241,902)
General revenues					
Investment earnings					218,892
Taxes					258,901
Other					39,398
Loss on equipment disposal					<u>(117,512)</u>
Total general revenues and special item					<u>399,679</u>
CHANGE IN NET ASSETS					157,777
Restated net assets, beginning of year					<u>63,677,183</u>
Net assets, end of year					<u>\$ 63,834,960</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shiawassee, Michigan was incorporated in 1822 and covers an area of approximately 551 square miles with the County seat located in the City of Corunna. The County operates under an elected Board of Commissioners and provides services to its more than 72,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Shiawassee County (primary government) and its component units, except as noted below. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Shiawassee County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in the Debt Service fund category.

The Shiawassee County Economic Development Corporation (EDC) was established to provide community and economic development services. The EDC administered a significant amount of economic development grant money that was received by the County.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Shiawassee County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Shiawassee County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Shiawassee County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Shiawassee County Council on Aging is a non-profit corporation responsible for planning and coordinating services for senior citizens. The Board is composed of thirteen (13) members, of which two (2) are County Commissioners.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Shiawassee County Drainage Districts comes under the jurisdiction of the Shiawassee County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The County Airport is classified as a joint venture with another governmental unit. The details related to this joint venture agreement are disclosed below.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Airport Board - Shiawassee County, along with the Cities of Owosso and Corunna and Owosso and Caledonia Townships have entered into an agreement which created the Shiawassee Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board of each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%.

The financial activities of the Airport Board are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Board's funds.

5. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no on-going financial interest or responsibility.

Genesee-Lapeer-Shiawassee Planning Commission - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Lapeer-Shiawassee Planning Commission. This organization's Board is composed of 16 members, of which one (1) is appointed by Shiawassee County. The County has no ongoing financial responsibility.

Genesee-Shiawassee Workforce Development Board - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Shiawassee Workforce Development Board. This organization's Board is composed of 35 members, of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility other than the potential liability related to inappropriate use of funds.

Valley Area Agency on Aging - Shiawassee County, in conjunction with the counties of Lapeer and Genesee and the City of Flint, which administers grant revenue for the Shiawassee Council on Aging, created the Valley Area Agency on Aging. The Board is composed of 21 members of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility. The Organization provides comprehensive services to senior citizens residing in the member counties.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Related Organizations

The Shiawassee County Community Mental Health Authority - The Shiawassee County Community Mental Health Authority operates under the provisions of PA 258 of 1974, as amended. The Authority provides funding for services in the area of mental illness, development disabilities, and other related mental health needs for the residents of the County of Shiawassee. For the year ended December 31, 2006, the County's contribution to Mental Health Services was \$200,000.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges, and other local revenues.
- d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.
- e. The Medical Care Facility Fund is used to report activities related to providing long-term care services to the County residents. These activities are financed primarily through user charges (Medicaid, Medicare, private, etc.).

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit and U.S. Government Securities with a maturity from date of purchase of 90 days or less.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Investments

Investments during the year consisted of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Vaccine inventory on hand at year-end have been reported as deferred revenue.

Inventories of road material and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	30 - 50 years
Equipment	3 - 7 years
Vehicles	3 - 5 years
Drain infrastructure	60 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items) are reported in the road commission (component unit) operating fund in the government-wide financial statements. Capital assets are defined by Shiawassee County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Engineering equipment	4 - 10 years
Office equipment	4 - 10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

15. Advances to Other Funds/Component Units

Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.

16. Interfund Transactions

During the course of normal operations the County has numerous transactions between funds and component units including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2006, including related payroll taxes, are recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Deferred Revenue

Deferred revenue recorded in the Drainage Districts consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred. Health department deferred revenue offsets the value of vaccine inventory on hand.

20. Budgets and Budgetary Accounting

Budgets are to be adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are to be adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Prior to September 7, the County departments, in conjunction with the Coordinator's office, prepare and submit their proposed operating budgets to the finance committee for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

21. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

22. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the financial statements.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately thirty-five (35) funds. Cash overdrafts of individual funds as of December 31, 2006, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Friend of the Court	<u>\$(321,654)</u>	<u>\$ 634,883</u>	<u>\$ 313,229</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty-five (35) funds. The County's pooled cash accounts consist of a common checking and money market accounts.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds, Trust and Agency Funds, and the Component Unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, mutual funds, commercial paper, and U.S. Government Securities are held separately by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of December 31, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 820,311	\$ 455,743
Savings accounts	7,357,619	7,357,845
Certificates of deposit	<u>2,715,593</u>	<u>2,715,593</u>
Total primary government	10,893,523	10,529,181
COMPONENT UNITS		
Checking	510,288	672,604
Savings	2,581,446	2,585,591
Certificates of deposit	<u>2,641,230</u>	<u>2,641,230</u>
Total component units	5,732,964	5,899,425
FIDUCIARY FUNDS		
Checking	109,267	124,599
Savings	<u>91,529</u>	<u>91,529</u>
Total fiduciary funds	<u>200,796</u>	<u>216,128</u>
TOTAL REPORTING ENTITY	<u>\$16,827,283</u>	<u>\$16,644,734</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2006, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,128,355 and the amount of \$15,516,379 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2006 the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/ S & P Rating</u>
PRIMARY GOVERNMENT			
Insured or registered for which the securities are held by the County's agent in the County's name -			
Public Funds Investment Trust	\$ 2,548	\$ 2,548	AAAm
Michigan Governmental MM Fund	11,087,686	11,087,686	Aaa
Governmental Cash Investment	<u>3,028</u>	<u>3,028</u>	P1
TOTAL PRIMARY GOVERNMENT	11,093,262	11,093,262	

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/ S & P Rating</u>	<u>Weighted Average Maturity</u>
COMPONENT UNITS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Edward Jones - Money Market Fund	\$ 15,830	\$ 15,830	AAA	N/A
Michigan Governmental MM Fund	1,137,179	1,137,179	Aaa	N/A
General Motors Acceptance Corp - bond	10,440	10,440	BB+	13 years
Master Asset Securitization - bond	19,800	19,800	AAA	26 years
Washington Mutual Mortgage - bond	14,603	14,603	AAA	26 years
Countrywide Home Loan Mortgage - bond	13,500	13,500	AAA	28 years
Federal National Mortgage Association - bond	1,000	1,000	AAA	21 years
Federal Home Loan Mortgage - bond	<u>93,605</u>	<u>93,605</u>	AAA	25 years
TOTAL COMPONENT UNITS	1,305,957	1,305,957		
FIDUCIARY FUNDS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Michigan Governmental MM Fund	<u>1,181,537</u>	<u>1,181,537</u>	Aaa	N/A
TOTAL REPORTING ENTITY	<u>\$13,580,756</u>	<u>\$13,580,756</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, rating information on the County's investments is presented above.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return through the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk

The County will minimize a concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$21,789,357	\$ 4,246,294	\$ 1,382,333	\$27,417,984
Investments	<u>200,000</u>	<u>2,794,177</u>	<u>-</u>	<u>2,994,177</u>
	<u>\$21,989,357</u>	<u>\$ 7,040,471</u>	<u>\$ 1,382,333</u>	<u>\$30,412,161</u>

The primary government cash and cash equivalents caption on the combined balance sheet include \$2,572 in imprest cash. The component unit cash and cash equivalents caption include \$1,550 of imprest cash.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental and internal service funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Revenue Sharing Reserve fund	\$ 1,267,446
Delinquent Tax Revolving fund	944,773
Nonmajor governmental funds	<u>309,108</u>
	<u>\$ 2,521,327</u>
Transfer to Revenue Sharing Reserve fund:	
General Fund	<u>\$ 2,589,669</u>
Transfer to Health Department fund from:	
General Fund	<u>\$ 380,386</u>
Transfer to Medical Care Facility fund from:	
Revenue Sharing Reserve fund	<u>\$ 33,073</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 826,611
Nonmajor governmental funds	<u>146,390</u>
	<u>\$ 973,001</u>

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2006:

Due to General Fund from:	
Delinquent Tax Revolving fund	\$ 752,771
Health Department fund	17,119
Nonmajor governmental funds	<u>6,986</u>
	<u>\$ 776,876</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Revenue Sharing Reserve fund from:	
General Fund	<u>\$ 2,593,131</u>
Due to Delinquent Tax Revolving fund from:	
General Fund	\$ 54,536
Revenue Sharing Reserve fund	<u>166,049</u>
	<u>\$ 220,585</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 282
Nonmajor governmental funds	<u>54,048</u>
	<u>\$ 54,330</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and component unit at December 31, 2006:

Advance from General Fund to:	
Component unit - Drainage Districts	<u>\$ 170,000</u>

The advances from the General Fund to Drainage Districts were made for working capital and are reflected in the financial statements as Advances To/From Other Governmental Units in accordance with GASB 34.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Governmental activities				
Capital assets not being depreciated				
Land	\$ 540,000	\$ -	\$ -	\$ 540,000
Capital assets being depreciated				
Land improvements	72,971	41,437	(5,735)	108,673
Building and improvements	3,495,285	144,009	(49,362)	3,589,932
Office and computer equipment	1,044,360	130,927	(7,000)	1,168,287
Vehicles	<u>780,267</u>	<u>210,456</u>	<u>(164,805)</u>	<u>825,918</u>
Subtotal	5,392,883	526,829	(226,902)	5,692,810

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Governmental activities - continued				
Less accumulated depreciation				
Land improvements	\$(41,578)	\$(6,548)	\$ 5,735	\$(42,391)
Building and improvements	(1,847,428)	(46,780)	41,169	(1,853,039)
Office and computer equipment	(517,942)	(115,637)	7,000	(626,579)
Vehicles	(543,425)	(127,012)	97,361	(573,076)
Subtotal	(2,950,373)	(295,977)	151,265	(3,095,085)
Net capital assets being depreciated	2,442,510	230,852	(75,637)	2,597,725
Capital assets, net	\$ 2,982,510	\$ 230,852	\$(75,637)	\$ 3,137,725
	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Business-type activities				
Capital assets being depreciated				
Land improvements	\$ 115,338	\$ 6,170	\$ -	\$ 121,508
Buildings and improvements	3,871,656	-	-	3,871,656
Office and computer equipment	1,949,482	97,081	(40,432)	2,006,131
Subtotal	5,936,476	103,251	(40,432)	5,999,295
Less accumulated depreciation				
Land improvements	(67,728)	(5,982)	-	(73,710)
Buildings and improvements	(2,162,728)	(177,338)	-	(2,340,066)
Office and computer equipment	(1,093,359)	(183,239)	31,630	(1,244,968)
Subtotal	(3,323,815)	(366,559)	31,630	(3,658,744)
Capital assets, net	\$ 2,612,661	\$(263,308)	\$(8,802)	\$ 2,340,551

Depreciation expense was charged to activities of the primary government as follows:

Governmental Activities	
General government	\$ 84,706
Public safety	207,411
Recreation and cultural	3,860
	<u>295,977</u>
Business-type Activities	
Medical Care Facility	366,013
Jail Commissary	546
	<u>366,559</u>
	<u>\$ 662,536</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance Jan. 1, 2006	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2006
Component Units				
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and land improvements	\$ 223,248	\$ 2,133	\$ -	\$ 225,381
Infrastructure and improvements	<u>4,289,510</u>	<u>89,356</u>	<u>-</u>	<u>4,378,866</u>
Subtotal	4,512,758	91,489	-0-	4,604,247
Capital assets being depreciated/depleted				
Buildings and improvements	2,108,728	72,144	-	2,180,872
Machinery and equipment	6,167,780	92,949	(40,592)	6,220,137
Office and computer equipment	120,325	9,614	(3,529)	126,410
Infrastructure-roads	48,933,643	2,853,094	(509,369)	51,277,368
Infrastructure-bridges	15,983,709	650,970	(31,375)	16,603,304
Depletable assets	<u>153,402</u>	<u>-</u>	<u>-</u>	<u>153,402</u>
Subtotal	73,467,587	3,678,771	(584,865)	76,561,493
Less accumulated depreciation/depletion				
Buildings and improvements	(788,631)	(58,534)	-	(847,165)
Machinery and equipment	(4,671,487)	(541,945)	40,592	(5,172,840)
Office and computer equipment	(106,426)	(8,645)	4,017	(111,054)
Infrastructure-roads	(21,245,812)	(2,859,488)	401,007	(23,704,293)
Infrastructure-bridges	(3,663,032)	(342,065)	-	(4,005,097)
Depletable assets	<u>(153,402)</u>	<u>-</u>	<u>-</u>	<u>(153,402)</u>
Subtotal	<u>(30,628,790)</u>	<u>(3,810,677)</u>	<u>445,616</u>	<u>(33,993,851)</u>
Net capital assets being depreciated	<u>42,838,797</u>	<u>(131,906)</u>	<u>(139,249)</u>	<u>42,567,642</u>
Capital assets, net	<u>\$47,351,555</u>	<u>\$ (40,417)</u>	<u>\$ (139,249)</u>	<u>\$47,171,889</u>
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ 1,636,914	\$ 253,796	\$ (1,890,710)	\$ -0-
Capital assets being depreciated				
Infrastructure - drains	8,742,883	1,890,710	-	10,633,593
Less accumulated depreciation				
Infrastructure - drains	<u>(2,461,088)</u>	<u>(208,979)</u>	<u>-</u>	<u>(2,670,067)</u>
Net capital assets being depreciated	<u>6,281,795</u>	<u>1,681,731</u>	<u>-0-</u>	<u>7,963,526</u>
Capital assets, net	<u>\$ 7,918,709</u>	<u>\$ 1,935,527</u>	<u>\$ (1,890,710)</u>	<u>\$ 7,963,526</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

	Balance Jan. 1, 2006	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2006
Component Units - continued				
Component Unit - County Airport				
Capital assets being depreciated				
Land improvements	\$ 1,581,257	\$ -	\$ -	\$ 1,581,257
Building and improvements	170,609	11,450	(83,640)	98,419
Office and computer equipment	<u>9,259</u>	<u>-</u>	<u>-</u>	<u>9,259</u>
Subtotal	1,761,125	11,450	(83,640)	1,688,935
Less accumulated depreciation				
Land improvements	(52,234)	(34,908)	-	(87,142)
Building and improvements	(37,866)	(1,352)	-	(39,218)
Office and computer equipment	<u>(1,440)</u>	<u>(977)</u>	<u>-</u>	<u>(2,417)</u>
Subtotal	<u>(91,540)</u>	<u>(37,237)</u>	<u>-</u>	<u>(128,777)</u>
Capital assets, net	<u>\$ 1,669,585</u>	<u>\$(25,787)</u>	<u>\$(83,640)</u>	<u>\$ 1,560,158</u>
Component Unit - Council on Aging				
Capital assets being depreciated				
Buildings	\$ 69,439	\$ 12,650	\$ -	\$ 82,089
Equipment	<u>-</u>	<u>4,212</u>	<u>-</u>	<u>4,212</u>
Subtotal	69,439	16,862	-0-	86,301
Less accumulated depreciation				
Buildings	(44,267)	(2,369)	-	(46,636)
Equipment	<u>-</u>	<u>(842)</u>	<u>-</u>	<u>(842)</u>
Subtotal	<u>(44,267)</u>	<u>(3,211)</u>	<u>-0-</u>	<u>(47,478)</u>
Capital assets, net	<u>\$ 25,172</u>	<u>\$ 13,651</u>	<u>\$ -0-</u>	<u>\$ 38,823</u>

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Installment purchase agreements	\$ 472,781	\$ -	\$ 48,220	\$ 424,561	\$ 49,243
Capital leases	46,106	-	23,387	22,719	18,094
Accrued compensated absences	<u>465,072</u>	<u>39,447</u>	<u>-</u>	<u>504,519</u>	<u>50,452</u>
TOTAL PRIMARY GOVERNMENT	983,959	39,447	71,607	951,799	117,789

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amount Due Within One Year
COMPONENT UNITS					
Road Commission					
2004 MTF Refunding Bonds	\$ 480,000	\$ -	\$ 155,000	\$ 325,000	\$ 160,000
Accrued compensated absences	<u>271,273</u>	<u>210,281</u>	<u>215,388</u>	<u>266,166</u>	<u>106,466</u>
	751,273	210,281	370,388	591,166	266,466
Drainage Districts					
Drain bonds and notes	4,358,198	425,817	303,409	4,480,606	313,409
Due to other governmental units	<u>321,510</u>	<u>-</u>	<u>160,755</u>	<u>160,755</u>	<u>160,755</u>
	4,679,708	425,817	464,164	4,641,361	474,164
County Airport					
Airport Note	<u>12,467</u>	<u>-</u>	<u>5,642</u>	<u>6,825</u>	<u>6,825</u>
TOTAL COMPONENT UNITS	<u>5,443,448</u>	<u>636,098</u>	<u>840,194</u>	<u>5,239,352</u>	<u>747,455</u>
TOTAL REPORTING ENTITY	<u>\$ 6,427,407</u>	<u>\$ 675,545</u>	<u>\$ 911,801</u>	<u>\$ 6,191,151</u>	<u>\$ 865,244</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Purchase Agreements

\$420,000 Installment Purchase Agreement to refund Griffin Land Contract, dated April 27, 2004, due in annual installments ranging from \$39,990 to 45,685 through May 1, 2014, with an interest rate of 3.84 percent, payable semi-annually. \$ 342,265

\$100,000 Installment Purchase Agreement, dated April 27, 2004, due in annual installments ranging from \$9,253 to \$11,384 through May 1, 2014, with interest of 6.01 percent, payable semi-annually. 82,296

\$ 424,561

Capital Leases

\$50,396 Dell Capital lease for 27 Computers and 4 Printers, dated April 28, 2005, due in monthly installments ranging from \$1,419 to \$1,550 through April 28, 2008, with interest of 7.60 percent, payable monthly. \$ 22,258

\$14,753 Dell Capital lease for 3 Servers, dated February 26, 2004, due in a monthly installment of \$461 on January 26, 2007, with interest of 8.744 percent, payable monthly. 461

\$ 22,719

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Accrued compensated absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights including related payroll taxes, amounted to \$269,184 and \$235,335 for vacation and sick, respectively, at December 31, 2006 for a total of \$504,519.

COMPONENT UNIT - ROAD COMMISSION

Accrued compensated absences

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes amounted to \$266,166 at December 31, 2006.

Bonds Payable

\$490,000 Michigan Transportation Refunding Bond, Series 2004 A, dated February 18, 2004 due in annual installments ranging from \$155,000 to \$165,000 through May 1, 2008, with interest ranging from 2.0 to 2.3 percent, payable semi-annually.	<u>\$ 325,000</u>
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COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

\$1,375,000 Spaulding Drain Bonds, Series 1996, dated March 1, 1996, due in annual installments ranging from \$75,000 to \$100,000 through June 1, 2016, with interest ranging from 5.0 percent to 5.5 percent, payable semi-annually.	\$ 825,000
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\$2,265,000 Owosso Drain Bonds, Series 2004, dated December 1, 2004, due in annual installments ranging from \$100,000 to \$125,000 through June 1, 2025, with interest ranging from 3.0 percent to 4.50 percent, payable semi-annually.	2,175,000
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\$96,000 Hasford #2 Drain Note, dated March 19, 2004, due in annual installments of \$19,200 through July 1, 2009, with an interest rate of 2.98 percent, payable annually.	57,600
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\$237,000 Martin Manor Drain Note, dated June 1, 2003, due in annual installments ranging from \$33,000 to \$34,000 through July 1, 2010, with an interest rate of 3.37 percent, payable annually.	135,000
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\$252,089 Woodlawn Drain Note, dated March 26, 1997, due in annual installments of \$25,209 through July 1, 2007, with an interest rate of 5.85 percent, payable annually.	25,209
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\$675,000 Corunna Water Supply System Bonds, Series 1992, dated September 2, 1992, due in annual installments of \$50,000 through May 1, 2011, with interest ranging from 6.10 percent to 6.25 percent, payable semi-annually.	250,000
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Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds and Notes - continued

\$860,000 Byron Water Project Bonds, dated January 6, 2006, maturity of which is not yet known. The County draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will be set. Due to the unknown maturity schedule, it is not possible to anticipate the amount of principal and interest that will be due each year.

\$ 782,797

\$270,000 Henderson Drain Bonds, Series 1996, dated April 1, 1996, due in annual installments ranging from \$10,000 to \$20,000 through June 1, 2021, with interest ranging from 6.50 percent to 6.875 percent, payable semi-annually.

215,000

\$15,000 Brundidge Drain Intercounty Note, dated October 16, 2006, due in annual installments of \$7,500 through June 1, 2009, with interest of 4.60 percent, payable annually.

15,000

\$ 4,480,606

Due to other governmental units

The \$1,810,000 Misteguay Creek Intercounty notes had the Treasurer functions turned over to Genesee County in 2005. The notes were dated May 1, 2002, due in an annual installment of \$160,755 due June 1, 2007 (Shiawassee County portion) with interest of 6.5 percent, payable semi-annually to Genesee County who will then make the entire debt payment.

\$ 160,755

COMPONENT UNIT - AIRPORT

\$52,832 Owosso Community Airport Note, dated July 30, 1997, due in an annual installment of \$6,825 due July 30, 2007, with an interest rate of 5.3 percent, payable annually.

\$ 6,825

The annual requirements to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	<u>Land Contract</u>		<u>Installment Loan</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 39,990	\$ 12,375	\$ 9,253	\$ 4,668	\$ 18,094	\$ 1,089
2008	40,758	10,825	9,531	4,103	4,625	56
2009	41,540	9,245	9,818	3,522	-	-
2010	42,338	7,634	10,113	2,923	-	-
2011	43,151	5,993	10,416	2,306	-	-
2012-2015	<u>134,488</u>	<u>7,812</u>	<u>33,165</u>	<u>3,029</u>	<u>-</u>	<u>-</u>
	<u>\$ 342,265</u>	<u>\$ 53,884</u>	<u>\$ 82,296</u>	<u>\$ 20,551</u>	<u>\$ 22,719</u>	<u>\$ 1,145</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

Year Ending December 31,	<u>Road Commission</u>		<u>Drainage Districts</u>		<u>Airport Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 160,000	\$ 5,395	\$ 474,164	\$ 164,219	\$ 6,825	\$ 328
2008	165,000	1,898	295,700	146,620	-	-
2009	-	-	295,700	133,681	-	-
2010	-	-	268,000	120,712	-	-
2011	-	-	235,000	108,650	-	-
2012-2016	-	-	1,070,000	401,513	-	-
2017-2021	-	-	720,000	186,463	-	-
2022-2025	-	-	500,000	43,062	-	-
	<u>\$ 325,000</u>	<u>\$ 7,293</u>	<u>\$ 3,858,564</u>	<u>\$ 1,304,920</u>	<u>\$ 6,825</u>	<u>\$ 328</u>

The \$782,797 related to the Byron Water Project Bonds (Drainage Districts) is not included in the above schedule because the bonds have not been fully drawn down and as a result the maturity schedule is unknown at December 31, 2006.

Road Commission Advance Refunding - Prior

On February 18, 2004, the Road Commission defeased the MMBA Transportation Fund Program Bond, Series 1992 C which was due and payable August 1, 1992 through August 1, 2007. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Commission issued 2004 Michigan Transportation Fund Refunding Bond in the amount of \$490,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Commission's financial statements. At December 31, 2006, bonds due and payable August 1, 2007 through May 1, 2008 for the MMBA Transportation Fund Program Bond, Series 1992 C in the amount of \$330,000 are considered defeased.

NOTE I: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING)

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

Normal Retirement:

Union:

- Age 50 with 25 or more years of credited service
- Age 55 with 15 or more years of credited service
- Age 60 with 10 or more years of credited service
- Mandatory Retirement: None

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

The County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 0% to 40.70% as a percentage of annual covered payrolls and varies by the participating employee groups. These contributions are funded by the County on behalf of plan members. In addition, certain employee bargaining groups have negotiated benefits whereby the participating members are required to contribute to the Plan. These participation levels range from 0% to 10% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost

For the year ended December 31, 2006 the County's annual pension cost of \$2,581,773 for the plan was equal to the County's required contribution. Of this amount, \$1,680,917 was County general employees and \$900,856 was medical care facility employees. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 49,624,765	\$ 53,154,845	\$ 49,373,692
Actuarial accrued liability (AAL) (entry age)	72,526,902	75,338,409	72,698,087
Unfunded AAL	22,902,137	22,183,564	23,324,395
Funded ratio	68%	71%	68%
Covered payroll	19,041,797	19,345,099	14,602,267
UAAL as a percentage of covered payroll	120%	115%	160%
Annual pension cost	2,583,118	2,436,316	2,581,773
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Commission participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

- Age 50 with 25 or more years of credited service
- Age 55 with 15 or more years of credited service
- Age 60 with 10 or more years of credited service (reduced to 8 or 6 years depending on benefits)

Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**COMPONENT UNIT - ROAD COMMISSION - CONTINUED**Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Commission is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2006 the Commission's annual pension cost of \$256,964 for the plan was equal to the Commission's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 10,070,372	\$ 10,527,570	\$ 10,819,743
Actuarial accrued liability (AAL)	13,235,700	13,846,831	14,606,711
Unfunded AAL	3,165,328	3,319,261	3,786,968
Funded ratio	76%	76%	74%
Covered payroll	2,003,779	2,118,124	2,073,658
UAAL as a percentage of covered payroll	158%	157%	183%
Annual pension cost	280,709	286,053	256,964
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - COUNCIL ON AGINGDescription of Plan and Plan Assets

The Council participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Normal Retirement:

Age 50 with 25 or more years of credited service

Age 55 with 15 or more years of credited service

Age 60 with 10 or more years of credited service

Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Council is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2006 the Council's annual pension cost of \$9,548 for the plan was equal to the Council's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 8.4% depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 347,671	\$ 376,888	\$ 407,130
Actuarial accrued liability (AAL) (entry age)	441,917	462,324	498,796
Unfunded AAL	94,246	85,436	91,666
Funded ratio	79%	82%	82%
Covered payroll	173,564	176,588	182,471
UAAL as a percentage of covered payroll	54%	48%	50%
Annual pension cost	9,748	9,492	9,548
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County carries commercial insurance for the risk of loss due to workers' compensation claims.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Shiawassee County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 100,000
Motor vehicle physical damage	30,000
Property coverage	100,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE J: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expensed as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Shiawassee County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$209,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$209,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Shiawassee County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2006, the County had funds on deposit of \$38,857 with the Authority and reserves for reported claims of \$341,565.

ROAD COMMISSION - COMPONENT UNIT

The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions and physical damage. The Road Commission participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Road Commission has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, could be material to the County.

ROAD COMMISSION - COMPONENT UNIT

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

There are various other legal actions pending against the Commission. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by the Commission and legal counsel to be immaterial.

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy will be shifting over the next three years from winter to summer.

The County's Winter 2005 and Summer 2006 ad valorem taxes were levied and collectible on December 1, 2005 and July 1, 2006, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2005 and Summer 2006 tax levies have been recognized as revenue in the current fiscal year. The 2005 taxable value of Shiawassee County amounted to \$1,602,345,761 on which ad valorem taxes levied for County general operating purposes consisted of 3.4373 mills for Winter 2005 and 3.4097 mills for Summer 2006. The Medical Care Facility and Council on Aging Fund levied 1.9878 and 0.1619 mills, respectively.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2006. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund equity is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management's plans for these funds.

The following are the various fund balance reserves as of December 31, 2006:

PRIMARY GOVERNMENT

General Fund

Reserved for:

Advances to other governmental units	\$ 170,000
Park outlay	<u>3,705</u>

\$ 173,705

COMPONENT UNITS

Drainage Districts

Reserved for:

Advances to other funds	\$ 49,837
Debt Service	<u>905,231</u>

\$ 955,068

The following are fund balance designations as of December 31, 2006:

PRIMARY GOVERNMENT

Nonmajor governmental funds

Designated for capital improvement	<u>\$ 729,778</u>
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COMPONENT UNIT

Drainage Districts

Designated for capital expenditures	<u>\$ 1,834,376</u>
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NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Public safety

Central dispatch	\$ 1,032,379
Local corrections training	54,325
Drug forfeiture	17,388
Drunk driving	94,470
Sheriff collection	28,229
Local law enforcement	<u>801</u>

\$ 1,227,592

Capital improvement	<u>\$ 453,278</u>
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NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental activities - continued

Restricted for

Other purposes

Friend of the Court	\$ 312,103
Register of Deeds automation	175,638
Budget stabilization	171,777
Law library	1,964
Childcare	50,233
Veteran trust	8,098
Housing rehabilitation	65,949
Revenue sharing	4,531,515
Family counseling	<u>38,559</u>

\$ 5,355,836

Business-type activities

Medical Care Facility

Restricted for employee benefits

\$ 2,548,921

COMPONENT UNITS

Drainage Districts

Restricted for capital improvements

\$ 4,399,673

Restricted for debt service

\$ 881,934

Road Commission

Restricted for County roads

\$ 4,975,632**NOTE O: FLEXIBLE BENEFITS PLAN**

In May 2002 the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who have completed 30 days of full-time employment with the County and normally work not less than 20 hours per week for the County and normally are scheduled to work at least five months during the plan year. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to dependent care benefits, medical expense reimbursement benefits or medical benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the County.

ROAD COMMISSION - COMPONENT UNIT

In November 1993 the Commission implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Service Code. The plan is available to all employees following 30 days of employment. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by Shiawassee County Road Commission.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the major Special Revenue Funds.

During the year ended December 31, 2006, the County incurred expenditures in the General Fund and Special Revenue funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Probate - juvenile division	\$ 662,667	\$ 670,013	\$ 7,346
Courthouse and grounds	854,601	868,908	14,307
Health and welfare			
Medical examiner	107,801	129,215	21,414
Family Counseling Fund	-	1,073	1,073
Friend of the Court Fund	78,004	85,839	7,835
Budget Stabilization Fund	162,169	230,319	68,150
Housing Rehabilitation Fund	258,580	286,978	28,398
Emergency Management Fund	5,620	5,953	333
Law Library Fund	12,000	12,794	794
Social Welfare - DHS Fund	130,168	136,978	6,810
Childcare - Probate Fund	1,050,977	1,106,349	55,372
Childcare - DHS Fund	210,764	222,361	11,597
Veterans Trust Fund	19,455	19,773	318

NOTE Q: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance and net assets. The effect on operations and other affected balances for the current and prior period are as follows:

	<u>December 31, 2006</u>	<u>2005</u>	<u>Description</u>
FUND LEVEL			
Governmental Funds			
General Fund			
Due to other funds	\$ -	\$ 166,049	Correct overstated
Revenue over (under) expenditures	-	166,049	due to other funds
Fund balance - beginning	166,049	-	
Revenue Sharing Reserve Fund			
Due from other funds	-	(166,049)	Correct overstated due
Revenue over (under) expenditures	-	(166,049)	from other funds
Fund balance - beginning	(166,049)	-	
GOVERNMENT-WIDE LEVEL			
Governmental Activities			
Net of accumulated depreciation	-	(295,238)	Correct overstatement
Change in net assets	-	(295,238)	of capital assets, net of
Net assets - beginning	(295,238)	-	accumulated depreciation

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE R: RECLASSIFICATION OF FUND BALANCE AND NET ASSETS

The following reclassification of fund balance and net assets was made during the year, and was reported as a restatement of beginning fund balance and net assets. Marriage counseling activities were previously reported as trust and agency. These activities were reclassified during the year in order to create the new Family Counseling special revenue fund.

PRIMARY GOVERNMENT

Governmental activities

Net assets, beginning	\$ 9,942,930
Reclassification of marriage counseling activities	<u>31,277</u>

Restated net assets, beginning	<u>\$ 9,974,207</u>
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Nonmajor governmental funds

Fund balances, beginning	\$ 2,476,066
Reclassification of marriage counseling activities	<u>31,277</u>

Restated fund balances, beginning	<u>\$ 2,507,343</u>
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REQUIRED SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 8,065,000	\$ 11,098,790	\$ 11,465,967	\$ 367,177
Mobile home park taxes	12,000	12,000	11,601	(399)
Other tax revenue	5,150	5,150	9,116	3,966
Total taxes	8,082,150	11,115,940	11,486,684	370,744
Licenses and permits				
Dog and kennel licenses	145,000	145,000	139,158	(5,842)
Other licenses and permits	24,400	24,400	19,904	(4,496)
Total licenses and permits	169,400	169,400	159,062	(10,338)
Intergovernmental - Federal/State				
Cooperative reimbursement				
Prosecuting attorney	155,900	155,900	146,933	(8,967)
Friend of the court	573,961	573,961	452,947	(121,014)
Juvenile grant	27,317	27,317	27,317	-0-
ADC Maintenance incentive	99,829	99,829	115,805	15,976
Sheriff - traffic	40,000	44,680	49,328	4,648
Sheriff - road patrol	127,206	127,206	126,586	(620)
Liquor license	11,600	11,600	12,796	1,196
Convention facility liquor tax	94,754	94,754	102,291	7,537
Medical examiner - SIDS	-	1,600	1,600	-0-
Victims' rights	56,100	56,100	55,980	(120)
Drivers license restoration	16,000	20,261	20,655	394
Probate court judge	139,919	139,919	147,743	7,824
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,448	91,448	91,448	-0-
Diverted felons	20,000	20,000	78,387	58,387
Jury fee reimbursement	12,500	15,070	15,618	548
Community corrections	172,758	153,507	134,087	(19,420)
PA 345 - remonumentation	-	99,085	99,085	-0-
Court equity	400,000	400,000	376,876	(23,124)
Emergency management	318,915	340,915	330,228	(10,687)
Other	16,551	16,551	-	(16,551)
Total intergovernmental - Federal/State	2,420,482	2,535,427	2,431,434	(103,993)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Sheriff	\$ 40,590	\$ 40,590	\$ 41,277	\$ 687
Treasurer fees	8,500	8,500	7,320	(1,180)
Equalization	66,000	66,000	61,647	(4,353)
Friend of the court service fees	50,000	50,000	75,890	25,890
District court	877,000	881,624	919,414	37,790
Circuit court	208,000	208,000	307,876	99,876
Probation - juvenile	33,000	33,000	29,305	(3,695)
Clerk	95,500	95,500	119,899	24,399
Register of deeds	540,000	540,000	502,490	(37,510)
Community corrections	17,250	17,250	35,564	18,314
Probate court	55,000	55,000	39,204	(15,796)
Community development	40,000	40,000	33,027	(6,973)
Landfill agreement	80,000	80,000	75,000	(5,000)
Care of prisoners	275,000	275,000	219,480	(55,520)
Other charges and services	66,600	15,173	16,507	1,334
Total charges for services	2,452,440	2,405,637	2,483,900	78,263
Fines and forfeits				
Bond forfeitures	10,000	10,000	22,552	12,552
Ordinance fines and costs	221,800	221,800	255,218	33,418
Total fines and forfeits	231,800	231,800	277,770	45,970
Interest and rents				
Interest	240,000	444,866	431,714	(13,152)
Rents	26,000	26,000	14,870	(11,130)
Total interest and rents	266,000	470,866	446,584	(24,282)
Other				
Contributions	14,600	16,468	16,468	-0-
Reimbursements - indirect costs	127,740	138,142	138,142	-0-
Reimbursements - other	44,100	44,100	81,189	37,089
Bond or insurance recoveries	-	44,943	44,943	-0-
Other	-	38,877	47,701	8,824
Sale of land	215,000	150,000	150,000	-0-
Total other	401,440	432,530	478,443	45,913
TOTAL REVENUES	14,023,712	17,361,600	17,763,877	402,277

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING SOURCES				
Transfers in				
Revenue Sharing Reserve	\$ 1,263,661	\$ 1,267,446	\$ 1,267,446	\$ -0-
Delinquent Tax Revolving	825,000	944,773	944,773	-0-
Budget stabilization	100,000	222,115	222,115	-0-
Prosecutor's fees	-	13,806	12,832	(974)
Drunk driving assistance	1,500	10,814	9,314	(1,500)
Probate cigarette tax	-	895	895	-0-
Housing rehabilitation	53,196	46,960	49,612	2,652
Corrections training	-	14,340	14,340	-0-
Total other financing sources	<u>2,243,357</u>	<u>2,521,149</u>	<u>2,521,327</u>	<u>178</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	<u>\$ 16,267,069</u>	<u>\$ 19,882,749</u>	<u>\$ 20,285,204</u>	<u>\$ 402,455</u>

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 143,403	\$ 164,367	\$ 159,354	\$ 5,013
Circuit court	618,979	617,387	611,137	6,250
District court	1,102,467	1,123,129	1,096,132	26,997
Friend of court	681,333	686,646	652,455	34,191
Probate - juvenile division	647,311	662,667	670,013	(7,346)
Probate - estate division	443,984	404,173	390,735	13,438
Circuit court - probation/parole	21,320	21,320	21,283	37
County Administrator	189,907	204,951	203,173	1,778
Elections	128,419	122,911	114,972	7,939
Clerk	439,055	443,548	429,700	13,848
Equalization	252,084	259,133	244,384	14,749
Prosecuting Attorney	885,267	915,987	871,980	44,007
Jury	50,400	51,480	39,469	12,011
Register of Deeds	346,238	344,998	325,990	19,008
County survey and remonumentation	20,000	119,875	119,875	-0-
Technology services	168,437	175,314	153,420	21,894
Treasurer	322,720	321,547	303,016	18,531
Postage	73,115	73,115	69,007	4,108
Agricultural extension	97,521	96,227	91,819	4,408
Courthouse and grounds	831,622	854,601	868,908	(14,307)
Drain commissioner	299,979	213,739	194,878	18,861
Printing	35,000	35,000	31,775	3,225
Telephone	118,000	117,525	97,431	20,094
Professional services	250,500	160,727	138,640	22,087
Airport	7,346	7,346	7,346	-0-
Other	19,605	9,065	1,156	7,909
Total general government	8,194,012	8,206,778	7,908,048	298,730
Public safety				
Sheriff	2,718,994	3,059,166	3,034,489	24,677
Secondary road patrol	188,030	183,921	157,256	26,665
Community corrections	126,959	112,483	98,741	13,742
Jail	1,729,408	1,998,504	1,976,750	21,754
Animal control	127,952	130,785	125,590	5,195
Total public safety	4,891,343	5,484,859	5,392,826	92,033

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Drains at large	\$ 125,000	\$ 126,880	\$ 126,880	\$ -0-
Health and welfare				
Household hazardous waste	10,200	11,278	10,396	882
Medical examiner	107,801	107,801	129,215	(21,414)
Mental health	200,000	200,000	200,000	-0-
Emergency services	236,955	271,009	205,737	65,272
Veterans affairs	30,142	31,014	30,093	921
Veterans burials	28,000	22,000	14,928	7,072
Total health and welfare	613,098	643,102	590,369	52,733
Community and economic development				
Community development and strategic planning	257,028	252,814	228,841	23,973
Recreation and cultural				
Parks	17,375	19,225	18,963	262
Other				
Insurance and bonds	559,152	778,652	762,884	15,768
Other	163,300	143,300	104,328	38,972
Total other	722,452	921,952	867,212	54,740
Capital outlay	596,543	427,376	427,357	19
Debt service	105,748	67,333	67,332	1
TOTAL EXPENDITURES	15,522,599	16,150,319	15,627,828	522,491

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
Drunk Driving Assistance Fund	\$ 16,000	\$ 20,261	\$ 20,260	\$ 1
Revenue Sharing Reserve Fund	-	2,589,669	2,589,669	-0-
Law Library Fund	11,000	11,000	8,000	3,000
Social Welfare - DHS Fund	5,000	5,000	5,000	-0-
Child Care - DHS Fund	90,000	90,000	90,000	-0-
Child Care - Probate Fund	280,000	342,646	342,646	-0-
Health Department Fund	388,224	388,224	380,386	7,838
Capital Improvement Fund	-	359,768	359,768	-0-
Central Dispatch Fund	2,500	3,437	937	2,500
TOTAL OTHER FINANCING USES	792,724	3,810,005	3,796,666	13,339
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 16,315,323</u>	<u>\$ 19,960,324</u>	<u>\$ 19,424,494</u>	<u>\$ 535,830</u>

Shiawassee County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ 28,500	\$ 32,940	\$ 4,440
OTHER FINANCING SOURCES (USES)				
Transfers in	2,635,478	2,589,669	2,589,669	-0-
Transfers out	<u>(1,299,530)</u>	<u>(1,303,315)</u>	<u>(1,300,519)</u>	<u>2,796</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,335,948</u>	<u>1,286,354</u>	<u>1,289,150</u>	<u>2,796</u>
NET CHANGE IN FUND BALANCE	1,335,948	1,314,854	1,322,090	7,236
Fund balance, beginning of year	3,375,474	3,375,474	3,375,474	-0-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(166,049)</u>	<u>(166,049)</u>
Fund balance, end of year	<u>\$ 4,711,422</u>	<u>\$ 4,690,328</u>	<u>\$ 4,531,515</u>	<u>\$ (158,813)</u>

Shiawassee County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Licenses and permits	\$ 267,930	\$ 267,930	\$ 236,103	\$ (31,827)
Intergovernmental	2,175,778	2,175,778	2,340,538	164,760
Charges for services	291,560	291,560	238,900	(52,660)
TOTAL REVENUES	2,735,268	2,735,268	2,815,541	80,273
EXPENDITURES				
Current				
Health and welfare	3,090,324	3,090,324	3,082,920	7,404
Debt service	33,168	33,168	26,400	6,768
TOTAL EXPENDITURES	3,123,492	3,123,492	3,109,320	14,172
EXCESS OF REVENUES (UNDER) EXPENDITURES	(388,224)	(388,224)	(293,779)	94,445
OTHER FINANCING SOURCES				
Transfers in	388,224	388,224	380,386	(7,838)
NET CHANGE IN FUND BALANCE	-0-	-0-	86,607	86,607
Fund balance, beginning of year	431,325	431,325	431,325	-0-
Fund balance, end of year	<u>\$ 431,325</u>	<u>\$ 431,325</u>	<u>\$ 517,932</u>	<u>\$ 86,607</u>

OTHER SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2006

	Special			
	Rails to Trails	Family Counseling	Friend of the Court	Central Dispatch
ASSETS				
Cash and cash equivalents	\$ 12	\$ 38,559	\$ 313,229	\$ 972,497
Accounts receivable	-	-	-	70,918
Due from other funds	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	40,253
TOTAL ASSETS	<u>\$ 12</u>	<u>\$ 38,559</u>	<u>\$ 313,229</u>	<u>\$ 1,083,668</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,606
Accrued liabilities	-	-	1,126	14,683
Due to other funds	-	-	-	35,000
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	1,126	51,289
FUND BALANCES				
Unreserved				
Designated for capital improvement	-	-	-	276,000
Undesignated, reported in Special revenue funds	12	38,559	312,103	756,379
TOTAL FUND BALANCES	<u>12</u>	<u>38,559</u>	<u>312,103</u>	<u>1,032,379</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12</u>	<u>\$ 38,559</u>	<u>\$ 313,229</u>	<u>\$ 1,083,668</u>

Revenue						
Drunk Driving	Prosecutor's Fees	Budget Stabilization	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation
\$ 94,470	\$ 64,740	\$ 171,777	\$ -	\$ 5,626	\$ 65,795	\$ 21,471
-	-	-	-	-	-	-
-	-	-	-	-	123	159
-	1,991	-	-	-	-	51,305
<u>\$ 94,470</u>	<u>\$ 66,731</u>	<u>\$ 171,777</u>	<u>\$ -0-</u>	<u>\$ 5,626</u>	<u>\$ 65,918</u>	<u>\$ 72,935</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,033	\$ -
-	-	-	-	-	6,505	-
-	-	-	-	-	-	6,986
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	15,538	6,986
-	-	-	-	-	-	-
94,470	66,731	171,777	-	5,626	50,380	65,949
94,470	66,731	171,777	-0-	5,626	50,380	65,949
<u>\$ 94,470</u>	<u>\$ 66,731</u>	<u>\$ 171,777</u>	<u>\$ -0-</u>	<u>\$ 5,626</u>	<u>\$ 65,918</u>	<u>\$ 72,935</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special			
	Sheriff Collection	Register of Deeds Automation	Emergency Management	Sheriff Posse
ASSETS				
Cash and cash equivalents	\$ 28,422	\$ 175,638	\$ 6,295	\$ 2,387
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	-
TOTAL ASSETS	<u>\$ 28,422</u>	<u>\$ 175,638</u>	<u>\$ 6,295</u>	<u>\$ 2,387</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 193	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	193	-0-	-0-	-0-
FUND BALANCES				
Unreserved				
Designated for capital improvement	500	-	-	-
Undesignated, reported in Special revenue funds	27,729	175,638	6,295	2,387
TOTAL FUND BALANCES	<u>28,229</u>	<u>175,638</u>	<u>6,295</u>	<u>2,387</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,422</u>	<u>\$ 175,638</u>	<u>\$ 6,295</u>	<u>\$ 2,387</u>

Revenue						
Local Correction Training	Drug Forfeiture	Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS
\$ 54,325	\$ 17,388	\$ 12,325	\$ 801	\$ 1,964	\$ 10,453	\$ 22,877
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,627
<u>\$ 54,325</u>	<u>\$ 17,388</u>	<u>\$ 12,325</u>	<u>\$ 801</u>	<u>\$ 1,964</u>	<u>\$ 10,453</u>	<u>\$ 30,504</u>
\$ -	\$ -	\$ -	\$ -		\$ -	\$ 3,403
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	21,000
-0-	-0-	-0-	-0-	-0-	-0-	24,403
-	-	-	-	-	-	-
54,325	17,388	12,325	801	1,964	10,453	6,101
54,325	17,388	12,325	801	1,964	10,453	6,101
<u>\$ 54,325</u>	<u>\$ 17,388</u>	<u>\$ 12,325</u>	<u>\$ 801</u>	<u>\$ 1,964</u>	<u>\$ 10,453</u>	<u>\$ 30,504</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special			
	Child Care - Probate	Child Care-DHS	Veterans Trust	Cigarette Tax
ASSETS				
Cash and cash equivalents	\$ 28,549	\$ 19,937	\$ 8,098	\$ 43,485
Accounts receivable	-	-	-	-
Due from other funds	-	19,048	-	-
Due from other governmental units - Federal/State	29,873	-	-	-
TOTAL ASSETS	<u>\$ 58,422</u>	<u>\$ 38,985</u>	<u>\$ 8,098</u>	<u>\$ 43,485</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 12,465	\$ 2,935	\$ -	\$ -
Accrued liabilities	12,726	-	-	304
Due to other funds	19,048	-	-	-
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	44,239	2,935	-0-	304
FUND BALANCES				
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in Special revenue funds	14,183	36,050	8,098	43,181
TOTAL FUND BALANCES	<u>14,183</u>	<u>36,050</u>	<u>8,098</u>	<u>43,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,422</u>	<u>\$ 38,985</u>	<u>\$ 8,098</u>	<u>\$ 43,485</u>

Revenue		Capital Projects			Total Nonmajor Governmental Funds
Riverhaven	Gun Range	Capital Improvement	Equipment Acquisition	Jail Fund	
\$ 9,081	\$ -	\$ 365,146	\$ -	\$ 53,132	\$ 2,608,479
-	-	-	-	-	70,918
-	-	-	-	35,000	54,330
-	-	-	-	-	131,049
<u>\$ 9,081</u>	<u>\$ -0-</u>	<u>\$ 365,146</u>	<u>\$ -0-</u>	<u>\$ 88,132</u>	<u>\$ 2,864,776</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,635
-	-	-	-	-	35,344
-	-	-	-	-	61,034
-	-	-	-	-	21,000
-0-	-0-	-0-	-0-	-0-	147,013
-	-	365,146	-	88,132	729,778
9,081	-	-	-	-	1,987,985
9,081	-0-	365,146	-0-	88,132	2,717,763
<u>\$ 9,081</u>	<u>\$ -0-</u>	<u>\$ 365,146</u>	<u>\$ -0-</u>	<u>\$ 88,132</u>	<u>\$ 2,864,776</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special			
	Rails to Trails	Family Counseling	Friend of the Court	Central Dispatch
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 9,514
Charges for services	-	-	33,810	1,033,597
Fines and forfeits	-	8,355	-	-
Interest and rents	-	-	26,835	31,755
Other	3,812	-	-	-
TOTAL REVENUES	3,812	8,355	60,645	1,074,866
EXPENDITURES				
Current				
General government	-	-	85,839	-
Public safety	-	1,073	-	956,955
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	3,800	-	-	-
Capital outlay	-	-	-	33,519
TOTAL EXPENDITURES	3,800	1,073	85,839	990,474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12	7,282	(25,194)	84,392
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	937
Transfers out	-	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(34,063)
NET CHANGE IN FUND BALANCES	12	7,282	(25,194)	50,329
Restated fund balances (deficit), beginning of year	-	31,277	337,297	982,050
Fund balances, end of year	\$ 12	\$ 38,559	\$ 312,103	\$ 1,032,379

Revenue						
Drunk Driving	Prosecutor's Fees	Budget Stabilization	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation
\$ -	\$ 27,028	\$ -	\$ -	\$ -	\$ -	\$ 252,748
-	-	-	-	-	266,656	81,334
-	-	-	-	-	-	-
1,784	-	15,030	-	-	-	25
-	-	-	-	3,313	-	-
1,784	27,028	15,030	-0-	3,313	266,656	334,107
-	140	-	-	-	-	-
1,470	-	-	-	-	-	-
-	-	-	-	-	-	237,366
-	-	-	1,762	-	467,039	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,470	140	-0-	1,762	-0-	467,039	237,366
314	26,888	15,030	(1,762)	3,313	(200,383)	96,741
20,260	-	-	-	-	8,204	-
(9,314)	(12,832)	(230,319)	-	-	-	(49,612)
10,946	(12,832)	(230,319)	-0-	-0-	8,204	(49,612)
11,260	14,056	(215,289)	(1,762)	3,313	(192,179)	47,129
83,210	52,675	387,066	1,762	2,313	242,559	18,820
<u>\$ 94,470</u>	<u>\$ 66,731</u>	<u>\$ 171,777</u>	<u>\$ -0-</u>	<u>\$ 5,626</u>	<u>\$ 50,380</u>	<u>\$ 65,949</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Special			
	Sheriff Collection	Register of Deeds Automation	Emergency Management	Sheriff Posse
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,089	\$ -
Charges for services	31,050	78,460	-	15,966
Fines and forfeits	-	-	-	-
Interest and rents	-	3,514	-	-
Other	5,683	-	3,200	7,950
TOTAL REVENUES	36,733	81,974	5,289	23,916
EXPENDITURES				
Current				
General government	-	7,320	-	-
Public safety	11,959	-	5,953	11,416
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	23,727	8,640	-	10,113
TOTAL EXPENDITURES	35,686	15,960	5,953	21,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,047	66,014	(664)	2,387
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	1,047	66,014	(664)	2,387
Restated fund balances (deficit), beginning of year	27,182	109,624	6,959	-
Fund balances, end of year	\$ 28,229	\$ 175,638	\$ 6,295	\$ 2,387

Revenue						
Local Correction Training	Drug Forfeiture	Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS
\$ -	\$ -	\$ -	\$ 36,365	\$ -	\$ -	\$ 127,318
30,901	9,230	-	-	-	-	7,487
-	-	1,363	-	6,500	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,345	-
30,901	9,230	1,363	36,365	6,500	1,345	134,805
-	-	1,455	-	12,794	-	-
12	366	-	37,254	-	-	-
-	-	-	-	-	1,575	136,978
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12	366	1,455	37,254	12,794	1,575	136,978
30,889	8,864	(92)	(889)	(6,294)	(230)	(2,173)
-	-	-	-	8,000	-	5,000
(14,340)	-	-	-	-	-	-
(14,340)	-0-	-0-	-0-	8,000	-0-	5,000
16,549	8,864	(92)	(889)	1,706	(230)	2,827
37,776	8,524	12,417	1,690	258	10,683	3,274
\$ 54,325	\$ 17,388	\$ 12,325	\$ 801	\$ 1,964	\$ 10,453	\$ 6,101

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Special			
	Child Care - Probate	Child Care-DHS	Veterans Trust	Cigarette Tax
REVENUES				
Intergovernmental	\$ 263,092	\$ -	\$ 22,220	\$ 12,456
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other	536,440	319	-	-
TOTAL REVENUES	799,532	319	22,220	12,456
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	1,003,163	222,361	19,773	10,559
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	1,003,163	222,361	19,773	10,559
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(203,631)	(222,042)	2,447	1,897
OTHER FINANCING SOURCES (USES)				
Transfers in	342,646	193,186	-	-
Transfers out	(103,186)	-	-	(895)
TOTAL OTHER FINANCING SOURCES (USES)	239,460	193,186	-0-	(895)
NET CHANGE IN FUND BALANCES	35,829	(28,856)	2,447	1,002
Restated fund balances (deficit), beginning of year	(21,646)	64,906	5,651	42,179
Fund balances, end of year	\$ 14,183	\$ 36,050	\$ 8,098	\$ 43,181

Revenue		Capital Projects			Total Nonmajor Governmental Funds
Riverhaven	Gun Range	Capital Improvement	Equipment Acquisition	Jail Fund	
\$ 15,674	\$ -	\$ -	\$ -	\$ -	\$ 768,504
-	-	-	-	-	1,588,491
-	-	-	-	-	16,218
-	-	-	21	-	78,964
-	1,163	571	-	-	563,796
15,674	1,163	571	21	-0-	3,015,973
-	-	-	-	-	107,548
-	1,450	-	-	-	1,027,908
13,020	-	-	-	-	1,644,795
-	-	-	-	-	468,801
-	-	-	-	-	3,800
-	-	1,456	16,405	7,621	101,481
13,020	1,450	1,456	16,405	7,621	3,354,333
2,654	(287)	(885)	(16,384)	(7,621)	(338,360)
-	-	359,768	-	35,000	973,001
-	-	-	-	-	(455,498)
-0-	-0-	359,768	-0-	35,000	517,503
2,654	(287)	358,883	(16,384)	27,379	179,143
6,427	287	6,263	16,384	60,753	2,538,620
\$ 9,081	\$ -0-	\$ 365,146	\$ -0-	\$ 88,132	\$ 2,717,763

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	<u>Jail Commissary</u>	<u>Soil Erosion</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 182,602	\$ 1,344	\$ 183,946
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>2,183</u>	<u>-</u>	<u>2,183</u>
TOTAL ASSETS	184,785	1,344	186,129
LIABILITIES			
Current liabilities			
Accounts payable	<u>11,919</u>	<u>-</u>	<u>11,919</u>
NET ASSETS			
Invested in capital assets	2,183	-	2,183
Unrestricted	<u>170,683</u>	<u>1,344</u>	<u>172,027</u>
TOTAL NET ASSETS	<u>\$ 172,866</u>	<u>\$ 1,344</u>	<u>\$ 174,210</u>

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Jail Commissary	Soil Erosion	Total
OPERATING REVENUES			
Charges for services	\$ 142,452	\$ 1,660	\$ 144,112
OPERATING EXPENSES			
Operating supplies	96,979	-	96,979
Return of fees	-	8,330	8,330
Depreciation	546	-	546
TOTAL OPERATING EXPENSES	97,525	8,330	105,855
OPERATING INCOME (LOSS)	44,927	(6,670)	38,257
Net assets, beginning of year	127,939	8,014	135,953
Net assets, end of year	\$ 172,866	\$ 1,344	\$ 174,210

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Jail Commissary	Soil Erosion	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 142,452	\$ 1,660	\$ 144,112
Cash paid to suppliers and others	<u>(92,403)</u>	<u>(8,330)</u>	<u>(100,733)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	50,049	(6,670)	43,379
Cash and cash equivalents, beginning of year	<u>132,553</u>	<u>8,014</u>	<u>140,567</u>
Cash and cash equivalents, end of year	<u><u>\$ 182,602</u></u>	<u><u>\$ 1,344</u></u>	<u><u>\$ 183,946</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 44,927	\$ (6,670)	\$ 38,257
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	546	-	546
Increase in accounts payable	<u>4,576</u>	<u>-</u>	<u>4,576</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 50,049</u></u>	<u><u>\$ (6,670)</u></u>	<u><u>\$ 43,379</u></u>

Shiawassee County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	Trust and Agency	Economic Development	Library Penal Fine
ASSETS			
Cash and cash equivalents	<u>\$ 1,315,269</u>	<u>\$ 1,127</u>	<u>\$ 65,781</u>
LIABILITIES			
Undistributed collections payable	\$ 142,946	\$ -	\$ 65,781
Due to other governmental units			
Federal/State	172,149	-	-
Local	453,149	1,127	-
Due to individuals and agencies	<u>547,025</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,315,269</u>	<u>\$ 1,127</u>	<u>\$ 65,781</u>

Renovation	Total
\$ 156	\$ 1,382,333
\$ 156	\$ 208,883
-	172,149
-	454,276
-	547,025
\$ 156	\$ 1,382,333

Shiawassee County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Debt Service			Capital
	Drain Debt	Corunna Debt	Henderson Debt	Byron Water Project
ASSETS				
Cash and cash equivalents	\$ 561,640	\$ -	\$ -	\$ -
Special assessments receivable	2,631,369	-	-	-
Interest receivable	-	-	-	-
Due from other funds	63,000	-	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	\$ 3,256,009	\$ -0-	\$ -0-	\$ -0-
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	-	-	-	-
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Advances from other funds	-	-	-	-
Advances from other governmental unit	-	-	-	-
Deferred revenue	2,350,778	-	-	-
TOTAL LIABILITIES	2,350,778	-0-	-0-	-0-
FUND BALANCES				
Reserved for advances to other funds	-	-	-	-
Reserved for debt service	905,231	-	-	-
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES	905,231	-0-	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,256,009	\$ -0-	\$ -0-	\$ -0-

Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ 1,093	\$ 1,677,169	\$ 102,613	\$ 7,194	\$ 33,941	\$ 2,383,650
6,407	474,625	-	-	-	3,112,401
-	3,951	-	207	-	4,158
-	-	127,112	-	-	190,112
-	21,837	-	-	28,000	49,837
<u>\$ 7,500</u>	<u>\$ 2,177,582</u>	<u>\$ 229,725</u>	<u>\$ 7,401</u>	<u>\$ 61,941</u>	<u>\$ 5,740,158</u>
\$ -	\$ 1,249	\$ 9,888	\$ -	\$ 1,668	\$ 12,805
-	5,000	-	-	-	5,000
-	190,112	-	-	-	190,112
7,500	-	-	-	-	7,500
-	-	49,837	-	-	49,837
-	-	170,000	-	-	170,000
-	164,682	-	-	-	2,515,460
7,500	361,043	229,725	-0-	1,668	2,950,714
-	21,837	-	-	28,000	49,837
-	-	-	-	-	905,231
-	1,794,702	-	7,401	32,273	1,834,376
-0-	1,816,539	-0-	7,401	60,273	2,789,444
<u>\$ 7,500</u>	<u>\$ 2,177,582</u>	<u>\$ 229,725</u>	<u>\$ 7,401</u>	<u>\$ 61,941</u>	<u>\$ 5,740,158</u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2006

Total fund balance - governmental funds **\$ 2,789,444**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 10,633,593	
Accumulated depreciation is	<u>(2,670,067)</u>	
Capital assets, net		7,963,526

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred or reported in the funds. These consist of:

Deferred revenue	2,515,460	
Lease receivable	<u>1,255,784</u>	
		3,771,244

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Long-term obligations	4,641,361	
Accrued interest payable	<u>23,297</u>	
		<u>(4,664,658)</u>

Net assets of governmental activities **\$ 9,859,556**

Shiawassee County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Debt Service			Capital
	Drain Debt	Corunna Debt	Henderson Debt	Byron Water Project
REVENUES				
Intergovernmental - local	\$ 7,411	\$ 67,375	\$ 24,781	\$ -
Charges for services	-	-	-	-
Interest	9,133	-	-	-
Other	361,296	-	-	-
TOTAL REVENUES	377,840	67,375	24,781	-0-
EXPENDITURES				
Current				
Public works	-	-	-	-
Capital outlay	-	-	-	410,817
Debt service	304,424	67,375	24,781	-
TOTAL EXPENDITURES	304,424	67,375	24,781	410,817
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,416	-0-	-0-	(410,817)
OTHER FINANCING SOURCES (USES)				
Transfers in	831,815	-	-	-
Transfers out	-	-	-	-
Bond and note proceeds	-	-	-	410,817
TOTAL OTHER FINANCING SOURCES (USES)	831,815	-0-	-0-	410,817
NET CHANGE IN FUND BALANCES	905,231	-0-	-0-	-0-
Fund balances (deficit), beginning of year	-	-	-	-
Fund balances, end of year	\$ 905,231	\$ -0-	\$ -0-	\$ -0-

Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,567
-	-	-	-	4,025	4,025
22	25,323	-	-	-	34,478
7,088	442,258	-	1,548	-	812,190
7,110	467,581	-0-	1,548	4,025	950,260
4,082	-	-	-	57,687	61,769
-	217,734	-	-	-	628,551
-	259,532	-	-	-	656,112
4,082	477,266	-0-	-0-	57,687	1,346,432
3,028	(9,685)	-0-	1,548	(53,662)	(396,172)
-	-	-	-	81,007	912,822
-	(912,822)	-	-	-	(912,822)
-	15,000	-	-	-	425,817
-0-	(897,822)	-0-	-0-	81,007	425,817
3,028	(907,507)	-0-	1,548	27,345	29,645
(3,028)	2,724,046	-	5,853	32,928	2,759,799
\$ -0-	\$ 1,816,539	\$ -0-	\$ 7,401	\$ 60,273	\$ 2,789,444

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 29,645

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 253,796	
Depreciation expense	<u>(208,979)</u>	
Excess of capital outlay over depreciation expense		44,817

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in deferred revenue	(569,151)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(425,817)	
Debt principal retirements	<u>464,164</u>	
		38,347

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in lease receivable	351,416	
Decrease in accrued interest payable	<u>1,803</u>	
		<u>353,219</u>

Change in net assets of governmental activities \$ (103,123)

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNTY AIRPORT

December 31, 2006

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 66,255
Accounts receivable	6,000
	<u>\$ 72,255</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 160
Accrued liabilities	683
	<u>843</u>
TOTAL LIABILITIES	843
FUND BALANCE	
Unreserved	
Undesignated	71,412
	<u>71,412</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,255</u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - COUNTY AIRPORT

December 31, 2006

Total fund balance - governmental fund \$ 71,412

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,688,935	
Accumulated depreciation is	<u>(128,777)</u>	
Capital assets, net		1,560,158

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Note payable	<u>(6,825)</u>	
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Net assets of governmental activities \$1,624,745

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNTY AIRPORT

Year Ended December 31, 2006

	<u>Special Revenue</u>
REVENUES	
Intergovernmental - local	\$ 22,261
Charges for services	3,055
Interest and rents	54,157
Other	2,336
Sale of capital assets	<u>74,002</u>
TOTAL REVENUES	155,811
EXPENDITURES	
Current	
Public works	72,552
Capital outlay	11,450
Debt service	
Principal	5,642
Interest	<u>686</u>
TOTAL EXPENDITURES	<u>90,330</u>
NET CHANGE IN FUND BALANCE	65,481
Fund balance, beginning of year	<u>5,931</u>
Fund balance, end of year	<u><u>\$ 71,412</u></u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNTY AIRPORT

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 65,481

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 11,450
Depreciation expense	(37,237)
Disposal of capital assets	<u>(83,640)</u>

Excess of depreciation expense and other charges over capital outlay (109,427)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Note principal retirements	<u>5,642</u>
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Change in net assets of governmental activities \$ (38,304)

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNCIL ON AGING

December 31, 2006

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 299,724
Investments	167,928
Taxes receivable	266,518
Due from other governmental units	<u>40,365</u>
TOTAL ASSETS	<u><u>\$ 774,535</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	\$ 285,220
FUND BALANCE	
Unreserved	
Undesignated	<u>489,315</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 774,535</u></u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - COUNCIL ON AGING

December 31, 2006

Total fund balance - governmental funds \$ 489,315

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 86,301
Accumulated depreciation is	<u>(47,478)</u>

Capital assets, net	<u>38,823</u>
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Net assets of governmental activities	<u><u>\$ 528,138</u></u>
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Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNCIL ON AGING

Year Ended December 31, 2006

	Special Revenue
REVENUES	
Property taxes	\$ 258,901
Intergovernmental	456,394
Charges for services	92,977
Interest	9,613
Other	33,656
TOTAL REVENUES	851,541
EXPENDITURES	
Current	
Health and welfare	814,401
EXCESS OF REVENUES OVER EXPENDITURES	37,140
Fund balance, beginning of year	452,175
Fund balance, end of year	\$ 489,315

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNCIL ON AGING

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 37,140

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 16,862	
Depreciation expense	<u>(3,211)</u>	
		<u>13,651</u>

Change in net assets of governmental activities \$ 50,791

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Shiawassee County
Corunna, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shiawassee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

2006-1 PRIOR PERIOD ADJUSTMENTS

Condition: As indicated in the basic financial statements, material amounts were recorded as prior period adjustments in the current year to correct errors from the prior year.

Criteria: These errors were not detected by the County's internal control over financial reporting in the prior year.

Effect: The prior year financial statements contained material misstatements that were not detected by management until after the December 31, 2005 financial statements were issued.

Recommendation: We recommend the County review procedures in the areas where these errors were noted and take steps to ensure that there is no recurrence of similar issues.

2006-1 PRIOR PERIOD ADJUSTMENTS - CONTINUED

Corrective Action Response: Management of the County is currently reviewing procedures related to identification and correction of potential errors in the financial statements. Management did discover this error prior to the commencement of the current year audit and posted the necessary entries to correct the prior year amounts.

2006-2 SEPARATION OF DUTIES

Condition: During our analysis and testing of the internal control structures, we noted that one individual at the Jail performed numerous accounting functions (i.e., receipts, disbursements, deposits, and bank reconciliations). This issue was noted and reported in our prior management letter comments. No changes were made in this area at the Jail in 2006.

Criteria: The main concept of an internal control structure is to assure that no one person handles all aspects of processing a transaction. The Jail's current processes allow one individual to process all of these transactions.

Effect: Management has not placed adequate internal control systems into operation at the Jail.

Recommendation: We recommend the County take steps to ensure that accounting duties are segregated to extent possible at the Jail. This will increase efficiency in the processing of transactions and strengthen the internal control systems.

Corrective Action Response: Management of the Jail states that inadequate staffing exists to improve internal control in this area. Management of the jail understands and accepts the risk of inadequate controls in this area.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2006-3 BUDGETS

Condition: As noted in the financial statements, some of the activities and funds of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County has not maintained adequate control over budgetary compliance in accordance with State law in the certain funds where the overages occurred.

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the County is currently reviewing procedures related to budgetary compliance in accordance with State law.

The County's responses to the findings identified in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Shiawassee County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 14, 2007

Shiawassee County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2006

Shiawassee County, Michigan

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

Compliance

We have audited the compliance of Shiawassee County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2006. Shiawassee County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Shiawassee County's management. Our responsibility is to express an opinion on Shiawassee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Shiawassee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shiawassee County's compliance with those requirements.

In our opinion, Shiawassee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending December 31, 2006.

Internal Control Over Compliance

The management of Shiawassee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Shiawassee County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shiawassee County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County as of and for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Shiawassee County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Shiawassee County, others within the County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 14, 2007

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Community Health			
Women, Infants and Children (WIC)			
FY 05-06 Regular	10.557	XX4W1006	\$ 189,808
FY 06-07 Regular		XX4W1006	<u>80,579</u>
			270,387
Passed through Michigan Department of Education			
National School Breakfast Program ^(g)	10.553	61970, 71970	8,868
National School Lunch Program ^(g)	10.555	71950, 71960	
		61950, 61960	13,666
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant (CDBG) Program			
State's Program	14.228		
03-04 (Housing)		MSC2004814MDC	44,046
04-05 (Housing)		MSC2004814HOA	<u>202,282</u>
			246,328
U.S. DEPARTMENT OF JUSTICE			
Passed through Michigan Department of Human Services			
BASIC Grant	16.540		
05-06		78	13,164
06-07		78	<u>2,982</u>
			16,146
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan State Police			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants			
2006 Grant	20.600	PT-06-23	44,074
2007 Grant		PT-07-41	<u>5,254</u>
			49,328

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Michigan Department of Environmental Quality			
State Grants to Reimburse Operations of Small Water Systems for Training and Certification Cost FY 05-06	66.471	N/A	\$ 10,850
State Drinking Water Revolving Fund FY 05-06	66.468	N/A	4,075
FY 2006 ^(e)		N/A	<u>161,410</u>
			165,485
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Office on Services to the Aging and Valley Area Agency on Aging			
Title III-B Special Programs for the Aging ^(a)	93.044		
Grants for In-home Services, Chore, CCS, and Senior Centers			
FY 05-06		SCOA-06	24,850
FY 06-07		SCOA-06	<u>11,373</u>
			36,223
Title III-C Special Programs for the Aging ^(a)	93.045		
FY 05-06 Nutrition Congregate		SCOA-NUTR-06	31,499
FY 06-07 Nutrition Congregate		SCOA-NUTR-06	7,072
FY 05-06 Nutrition Home Delivered Meals		SCOA-NUTR-06	60,905
FY 06-07 Nutrition Home Delivered Meals		SCOA-NUTR-06	<u>26,498</u>
			125,974
Title III-E National Family Caregiver Support	93.052		
FY 05-06		SCOA-06	16,927
FY 04-05		SCOA-06	<u>5,669</u>
			22,596
Nutrition Services Incentive Program ^(a)	93.053		
FY 05-06 Nutrition Congregate		SCOA-NUTR-06	8,052
FY 04-05 Nutrition Congregate		SCOA-NUTR-06	2,102
FY 05-06 Nutrition Home Delivered Meals		SCOA-NUTR-06	37,638
FY 04-05 Nutrition Home Delivered Meals		SCOA-NUTR-06	<u>11,344</u>
			59,136

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health			
Immunization Grants ^(d)	93.268		
FY 05-06 IAP		H23CCH522556	\$ 27,108
FY 06-07 IAP		H23CCH522556	9,718
FY 05-06 Vaccine Supply		N/A	189,177
FY 06-07 Vaccine Supply		N/A	<u>63,059</u>
			289,062
 Centers for Disease Control and Prevention - Investigations and Technical Assistance ^(d)			
FY 05-06	93.283		
Focus A		CCU517018	142,895
Pandemic flu		CCU517018	27,637
FY 05-06			
Focus A		CCU517018	35,998
Pandemic flu		CCU517018	<u>12,994</u>
			219,524
 Medicaid Assistance Program In home Services and Waiver			
FY 05-06	93.778	SCOA-06	26,982
FY 06-07		SCOA-06	<u>11,418</u>
			38,400
 Passed through Michigan Department of Human Services and Michigan Department of Community Health Medical Assistance Program (Title XIX Medicaid)			
	93.778		
FY 05-06 Outreach & Advocacy ^(e)		5XX05MI5048	8,562
FY 06-07 Outreach & Advocacy ^(e)		5XX05MI5048	4,920
FY 05-06 Care Coordination ^(f)		B1MIMCHS	13,540
FY 05-06 Case Management		B1MIMCHS	1,209
FY 06-07 Case Management		B1MIMCHS	403
FY 06-07 Care Coordination		B1MIMCHS	<u>2,070</u>
			30,704

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Human Services			
Child Support Enforcement ^(d) (Title IV-D)	93.563		
Cooperative Reimbursement - Friend of the Court ^(b)			
05-06		CS/FOC-06-78001	\$ 303,595
06-07		CS/FOC-07-78001	143,883
Cooperative Reimbursement - Prosecuting Attorney ^(b)			
05-06		CS/PA-06-78002	107,804
06-07		CS/PA-07-78002	37,678
Incentive Payments ^(c) 2006 Regular		N/A	<u>115,805</u>
			708,765
Passed through Michigan Department of Community Health			
BCCP - Early Detection	93.919		
05-06 CDI		U57CCU506738	16,395
06-07 CDI		U57CCU506738	<u>6,757</u>
			23,152
Passed through Michigan Department of Community Health			
Maternal and Child Health Services			
Block Grant to the States	93.994		
FY 05-06 Local MCH		B1MIMCHS	33,622
FY 06-07 Local MCH		B1MIMCHS	11,418
FY 05-06 Case Management Services		B1MIMCHS	7,051
FY 06-07 Case Management Services		B1MIMCHS	<u>3,489</u>
			55,580
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan State Police			
Homeland Security Grant Program ^{(h) (d)}	97.067		
2005 HSGP - CBRNE - Planning		N/A	85,393
2005 HSGP - CBRNE - Training		N/A	5,708
2005 HSGP - CBRNE - M & A		N/A	3,528
2005 HSGP - CBRNE - Equipment		N/A	118,521
2005 LETPP - CBRNE - Equipment		N/A	<u>69,195</u>
			282,345

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - CONTINUED			
Passed through Michigan State Police - continued			
Emergency Management Performance Grant FY 06 Regular	97.042	N/A	\$ 25,836
State Homeland Security Grant Program 04 HSGP - CBRNE - Comm. Equipment ^(h) ^(d)	97.004	N/A	<u>22,047</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,720,402</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Shiawassee County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

Federal Awards of the Shiawassee County Road Commission are excluded from the accompanying Schedule of Expenditures of Federal Awards. These component units are audited by other auditors with reports issued under separate covers. Single Audits, where applicable, were conducted by those other auditors and included in the applicable reports. To view copies of those reports contact the respective administrative offices of the component units or the Shiawassee County Administrators office.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(h) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following approximate percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Approximate Percent</u>
Medicaid Outreach & Advocacy	93.778	55.0 for 06-07 FY 51.0 for 05-06 FY
State Drinking Water Revolving Fund 05-06	66.468	39.29

- (f) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (g) Programs considered a cluster by the U.S. Department of Agriculture.
- (h) Programs considered a cluster by the U.S. Department of Homeland Security.

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2006

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2006, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Adjustments</u>	<u>Less State Revenue</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 146,933	\$ -	\$(1,451)	\$ 145,482
CRP - Friend of the Court	452,947	-	(5,469)	447,478
ADC Maintenance Assistance	115,805	-	-	115,805
Sheriff - traffic	49,328	-	-	49,328
Emergency Management	330,228	-	-	330,228
Other Programs	<u>1,336,193</u>	<u>-</u>	<u>(1,336,193)</u>	<u>-0-</u>
TOTAL GENERAL FUND	2,431,434	-0-	(1,343,113)	1,088,321
SPECIAL REVENUE FUNDS				
Health Department	2,340,538	-	(1,441,279)	899,259
Housing Rehabilitation	252,748	-	(6,420)	246,328
Child Care Probate	263,092	-	(224,412)	38,680
Other Programs	<u>252,664</u>	<u>-</u>	<u>(252,664)</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>3,109,042</u>	<u>-0-</u>	<u>(1,924,775)</u>	<u>1,184,267</u>
TOTAL PRIMARY GOVERNMENT	5,540,476	-0-	(3,267,888)	2,272,588
COMPONENT UNITS				
Drainage Districts	-	165,485 ⁽¹⁾	-	165,485
Council on Aging	456,394	-	(174,065)	282,329
Road Commission	<u>8,010,836</u>	<u>-</u>	<u>(8,010,836)</u>	<u>-0-</u>
TOTAL COMPONENT UNITS	<u>8,467,230</u>	<u>165,485</u>	<u>(8,184,901)</u>	<u>447,814</u>
TOTAL ENTITY-WIDE	<u>\$14,007,706</u>	<u>\$ 165,485</u>	<u>\$(11,452,789)</u>	<u>\$ 2,720,402</u>

⁽¹⁾ The adjustment related to the Drainage Districts (Byron Water Project) Fund represents the Federal portion of the U.S. Environmental Protection Agency loan proceeds which are reported in the financial statements as other financing sources in accordance with accounting principles generally accepted in the United States of America (GAAP). These Federal funds were recognized in the Schedule of Expenditures of Federal Awards as of December 31, 2006 as required by the U.S. Environmental Protection Agency.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Shiawassee County
Corunna, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shiawassee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. The results of our tests disclosed deficiencies that we consider to be significant deficiencies in internal control over financial reporting as described in the accompanying schedule of findings and questioned costs as 2006-1 and 2006-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the accompanying schedule of findings and questioned costs is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2006-3.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Shiawassee County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 14, 2007

Shiawassee County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Child Support Enforcement (Title IV-D)
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention
97.067, 97.004	Homeland Security Grant Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

2006-1 PRIOR PERIOD ADJUSTMENTS

Condition: As indicated in the basic financial statements, material amounts were recorded as prior period adjustments in the current year to correct errors from the prior year.

Criteria: These errors were not detected by the County's internal control over financial reporting in the prior year.

Effect: The prior year financial statements contained material misstatements that were not detected by management until after the December 31, 2005 financial statements were issued.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2006

Section II - Financial Statement Findings - continued

2006-1 PRIOR PERIOD ADJUSTMENTS - CONTINUED

Recommendation: We recommend the County review procedures in the areas where these errors were noted and take steps to ensure that there is no recurrence of similar issues.

Corrective Action Response: Management of the County is currently reviewing procedures related to identification and correction of potential errors in the financial statements. Management did discover this error prior to the commencement of the current year audit and posted the necessary entries to correct the prior year amounts.

2006-2 SEPARATION OF DUTIES

Condition: During our analysis and testing of the internal control structures, we noted that one individual at the Jail performed numerous accounting functions (i.e., receipts, disbursements, deposits, and bank reconciliations). This issue was noted and reported in our prior management letter comments. No changes were made in this area at the Jail in 2006.

Criteria: The main concept of an internal control structure is to assure that no one person handles all aspects of processing a transaction. The Jail's current processes allow one individual to process all of these transactions.

Effect: Management has not placed adequate internal control systems into operation at the Jail.

Recommendation: We recommend the County take steps to ensure that accounting duties are segregated to extent possible at the Jail. This will increase efficiency in the processing of transactions and strengthen the internal control systems.

Corrective Action Response: Management of the Jail states that inadequate staffing exists to improve internal control in this area. Management of the jail understands and accepts the risk of inadequate controls in this area.

2006-3 BUDGETS

Condition: As noted in the financial statements, some of the activities and funds of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County has not maintained adequate control over budgetary compliance in accordance with State law in the certain funds where the overages occurred.

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the County is currently reviewing procedures related to budgetary compliance in accordance with State law.

Section III - Federal Award Findings and Questioned Costs

None

Shiawassee County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2006

FINDINGS/NONCOMPLIANCE

2005-1 SEPARATION OF DUTIES - DISTRICT COURT

During the course of our prior year audit we noted that the head clerk of the District Court had duties and system access that are incompatible with each other. The head clerk opened the mail, was a backup cashier, and was an authorized check signer on the Court's bank accounts.

The head clerk's duties have changed so that mail is opened by another employee and access to cashier functions has been eliminated. This finding is therefore considered to be resolved.